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Czechoslovakia: Set of Measures

To Improve Management of the Economy



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[Official text of "Set of Measures for Improving the Planned Management System of the National Economy After 1980," as approved by CSSR Government Resolution No 42, 31 January 1980]

[Text] The basic requirements for improving the planned management system of the national economy at the current stage of Czechoslovak economic development have been established by the 15th CPCZ Congress. In part, these requirements stem from the need to develop and reinforce those elements of the system that are making a positive contribution to the efficiency of social production. They also derive from the necessity of introducing new elements in accord with the demands of accelerated scientific and technological developments and with the need to intensify the integrating processes within the Czechoslovak economy and a broader integration within the international division of labor, especially in the form of socialist economic integration, which contributes significantly to improving the efficiency and quality of every kind of work. The 15th Congress also stressed the policy of availing ourselves of the experience of fraternal socialist countries, especially the wealth of experience accumulated by the Soviet Union.

These basic principles were intended to serve as an approach to, and a programmatic basis for, developing the management system of the national economy. Individual measures have been and are being prepared as an inseparable part of [the process of] insuring the success of the economic policy of the 15th Congress.

A number of measures were prepared and implemented during the Sixth Five-Year Plan. For instance, development programs provided the basis for a more comprehensive

approach to handling structural changes; the entire science and technology planning cycle from research to final development was redefined; and the planning of socialist economic integration was intensified. Efficiency and quality criteria were emphasized in the system of plan indicators and were also introduced into the area of enterprise and individual monetary incentives. The gross production index, which at times led to a bias in favor of material-intensive production, ceased to be a criterion of plan fulfillment. The comprehensive restructuring of wholesale prices of 1 January 1977 and the associated adjustment of taxes and levies were basic measures that assured more realistic price-cost relationships in the national economy. Important measures adopted in 1978 concerned improvements in the planned management of material flows, chiefly by improving the system of balances in materials management. The government adopted a set of measures intended to solve critical problems related to management of the fixed asset replacement in the areas of capital investment planning, providing labor for projects under construction, review by state-appointed experts, financing, pricing, etc.

Also, in accordance with the 15th Congress Directive, a comprehensive set of measures was drawn up to facilitate overcoming management problems on a qualitatively new basis appropriate to the conditions leading to developed socialism. To test the elements of the system before introducing them into general practice, we have undertaken a comprehensive experiment in efficiency and quality management incorporating previous results, practical experiences and theories, as well as the results of economic experiments in the USSR. A significant role in improving the management process has been played by suggestions and consultations concerning trends in improving management in other socialist states, especially those measures adopted to improve the economic mechanism in the USSR.

The Main Guidelines for Improving the Planned Management System of the National Economy After 1980 are based on these earlier efforts. The guidelines have been discussed and approved by the Presidium of the CPCZ Central Committee and by CSSR Government Resolution No 167/1979 as the basis for a set of specific measures. In accordance with this CSSR government resolution, the Government Committee on Problems of the Planned Management of the National Economy

organized studies in cooperation with representatives of all regional (intersectoral) and some selected branch organizations. The result of these efforts is the proposed Set of Measures for Improving the Planned Management System of the National Economy After 1980.

These measures constitute a program conceived as a unified whole that will be implemented in stages. Most of the measures will become applicable when the preparations for the Seventh Five-Year Plan begin. The remaining measures have been scheduled for introduction on the basis of their state of readiness and social importance.

As these measures increasingly take effect within the planned management system they are also expected to lead to a systematic increase in the quality of plans (particularly in terms of stabilization and efficiency) and high standards in other aspects of management mechanisms by developing and improving direct management and organization at all levels of management. The measures also derive from the fact that the planned management system, as a set of management tools and procedures in the organizations, must actively and effectively assist in creating all these specific prerequisites and conditions and, especially, in preparing a high-quality plan. With respect to these broader aspects, the development and, most importantly, the increased effectiveness of the management system are contingent upon:

- a) Increasing the quality of decisionmaking with respect to particular problems at all levels of management through the use of systematic analysis, the utilization of information concerning domestic and foreign market fluctuations in every way possible, and the application of rational and effective decisionmaking methods;
- b) Increasing the quality of management itself, assuring an approach based on initiative and an increased sense of responsibility to the society for carrying out the decisions received, for applying rigorous standards, for instituting a rational division of labor in the management and eliminating bureaucratization;
- c) Increasing planning, economic and labor discipline and compliance with legal provisions in all areas and

at all levels of management. In accordance with these aims, it is necessary to tighten up the control system, to require personal accountability for task fulfillment, and to draw conclusions when tasks are not fulfilled.

Measures for improving the planned management of the national economy must, therefore, be understood and applied as a constituent part of improving the entire economic mechanism of the management of a socialist economy.

The effectiveness of management and, consequently, the effectiveness of the changes made in the system of planned management will depend to a decisive degree on subjective factors, especially the quality of work by industrial managers and supervisors. The dynamics of social development will objectively increase the demands made on management. The ability of management to meet these demands and to deal with the challenging task of building socialism thus becomes one of the key criteria for judging their political and professional competence. Therefore, it is becoming more and more important to assure that the quality of professional preparation corresponds to the difficulty of the tasks at a specific stage in the socio-economic development of the nation.

* * *

I. IMPROVING THE QUALITY AND EFFECTIVENESS OF NATIONAL ECONOMIC PLANNING

Key approaches to improving planning at all levels of management will include reinforcing the long-term view in planning through utilizing to a significant extent goal-oriented program planning aimed at achieving the highest [possible] national economic performance, improving plan development and detailing methods, and increasing the effectiveness with which plan fulfillment is controlled and evaluated. The basic aim here remains to provide for balanced and efficient economic growth through a more effective integration of our economy into the international division of labor and, in particular, within the socialist economic integration. Attention must be focused on the key components of the replacement process, i.e., on the planned development and application of science and technology in the national economy, on the replacement of fixed assets [long-term asset replacement], on the replacement, allocation and utilization of labor, and on foreign economic relations.

A. Strengthening the Goal-Oriented Program Approach, Long-Range Views in Planning, and Ties Among Long-Term, Five-Year and Annual Plans

National economic planning must become a continuous process of developing and setting goals and tasks for the development of the national economy, gradually making these more specific, and then providing for and diligently controlling their realization. At every level of management the criterion to be used in making decisions is the extent to which scientific and technological advances contribute to the economy.

It is for this purpose that the State Planning Commission and the central agencies are directed to organize work on the long-term outlook and the five-year and annual plans according to the following principles:

1. Within the framework of the long-term outlook for national economic development, prepare the details for key sections of the long-term comprehensive programs aimed at establishing the main trends in structural and qualitative changes and selected goals in interdisciplinary and intersectoral relations. These goals are to be defined in terms of technical and economic parameters and the principal steps toward their accomplishment spelled out. The programs should encompass the entire cycle from scientific research to its development and application in practice.

In the five-year plans, develop and establish within the context of the long-term comprehensive programs and especially in the form of state goal-oriented programs, the key tasks intended to: significantly increase the export capability and reduce import requirements while maintaining effective foreign economic relations; establish the key research and development tasks and achieve a corresponding [high] technical-economic standard in production processes and the utility of these products; achieve efficient management of material resources; improvements in labor productivity; absolute manpower savings and the efficient utilization rates of capital assets.

State goal-oriented programs should be coordinated with tasks stemming from the long-term goal-oriented programs of the CEMA member countries. These programs must set goals for increasing efficiency which will bring it up to world standards; establish a volume of production and how it is to be used, and the key research and technological development tasks; at the same time, they must establish price limits and allocate the resources needed to implement the programs, as well as define tasks that will provide solutions to social, organizational, transportation and environmental problems. The tasks and the provisions for implementing the programs are to be clarified in appropriate sections, balance statements and indicators of the five-year and annual plans at all levels of management.

Individual central agencies and, overall, the gestor (project-coordinating) central agency will be responsible for tasks assigned to them within the framework of approved programs. They will also assure follow-up and coordination of the specific programs.

Designated gestor central agencies will develop the proposed programs in coordination with the producer and consumer central agencies concerned.

Effective with the Seventh Five-Year Plan, key development programs and state rationalization programs are cancelled as planning categories and existing state programs for the conservation of fuel, energy and metals will be rewritten as state goal-oriented programs.

2. The work on the long-term outlook of economic and social development is to be started with the objective of laying the groundwork for a long-term economic-policy orientation and for the preparation of five-year plans. These efforts should be organized so that:

--During 1980, work on the long-term outlook is focused on insuring the foundations essential for preparing, developing and implementing the Seventh Five-Year Plan, as well as the bases for the main objectives for and trends in social development up to the year 2000 and for the fundamental technological and economic conditions necessary for their implementation;

--By 1983, long-term comprehensive programs and long-term development concepts for the major sectors will have been prepared;

--For the pre-1985 stage, efforts are concentrated on the final comprehensive formulation of the draft of the long-term outlook expressed in terms of five-year plans and on bilateral and multilateral coordination with CEMA countries;

--The preparation of the guidelines for the Eighth Five-Year Plan itself, and the implementation of long-term goal-oriented cooperation programs and the continued coordination of our national-economic plans with the CEMA member countries are directly incorporated into the work on the long-term outlook.

Work on the long-term prospects is to be further developed as a permanent activity at all levels of management; the five-year plans should be directly derived from these prospects, which are to be redefined in greater detail in the course of preparing the five-year plans.

The Czechoslovak Academy of Sciences and the Federal Ministry for Investment and Technological Development, in cooperation with the appropriate central agencies are enjoined to prepare, in the course of working on the long-term prospects, a prognosis of future research and technological developments in the CSSR and throughout the world.

The central branch agencies, in cooperation with the State Planning Commission, are enjoined to organize VHI (economic production units) participation in the preparation of the long-term outlook; they are also to insure the necessary cooperation between the supplier and consumer VHI's.

3. The five-year plan, subdivided into annual plans, is the basic planning form upon which economic activity is organized at all levels of management of the national economy. The plan establishes the basic objectives, defines the limits of resources necessary for their attainment, and determines the economic conditions, especially the incentive system standards. The use of five-year plan indicators is to encourage all levels of management to take advantage of advances in science and technology, to achieve high standards of social production and the efficient integration of the economy into the international division of labor.

All levels of management are to apply consistently, as a key criterion in plan development, the data for the efficiency indicators, which include the ratio between the fco (all charges paid) and the wholesale prices, prices per kilogram, profitability, standard material consumption, capital asset utilization rates, labor productivity, etc., and to do this while setting tasks for approaching the standard of other technologically and economically developed countries.

4. The choice of indicators is to be concentrated gradually on the decisive technical and economic processes in order to increase the efficiency of the system of binding plan indicators and, at the same time, to emphasize the following indicators:

Technological Development

- Binding technical and economic parameters and deadlines for completion of research and development projects;
- Price constraints on products manufactured on the basis of technological developments;
- Technological development tasks for the state goal-oriented or long-term comprehensive programs.

Production and Marketing

- Share of products of high technical-economic standard (technically advanced, 1st quality), fashionable, and luxury products;
- Deliveries for export according to the determinant sectors;
- Deliveries for domestic trade;

--Deliveries for capital construction according to determinant production sectors;

--Facility consignment and start-up deadlines as well as progress deadlines during their construction;

--Deliveries for construction designated by the state plan as a priority project;

--Deliveries for construction with budgeted costs of over Kcs 2 million;

--Deliveries to meet production requirements (deflated [indicator], i.e., outside the economic production unit);

--The tasks of increasing the comparative [price] indicator (relation of fco [all charges paid] and wholesale price);

--Increase in per-kilogram prices for selected export products (in the economic plans);

--Production (deliveries) of selected goods in physical units, including selected tasks aimed at fulfillment of state goal-oriented programs;

--Production tasks at selected new facilities;

--Production based on completed projects in scientific and technological development;

--Complete-plant export projects;

--Projects in fulfillment of obligations accepted in coordination with and in international agreements with CEMA countries.

Capital Replacement

--Construction designated as priority projects in the state plan;

--List of centralized construction projects having government approval to proceed;

--The most important binding technical-economic parameters for construction;

--Budgetary constraints on expenditures for other initiated construction budgeted at over Kcs 2 million contingent upon compliance with the balance of the budgeted expenses;

--Amount of work and volume of deliveries for other construction budgeted at over Kcs 2 million (for orientation purposes)*;

--Constraints on work and deliveries for construction under Kcs 2 million of budgeted expenditures and machinery and equipment not included in the budget**;

--Technical-economic criteria for arranging investments financed from the development fund;

--Capital asset modernization and rebuilding projects (including projects in selected population centers) and targets for the results they achieve;

--Plant and manufacturing facilities liquidation projects;

--Programs for scrapping machinery fixed assets.

Capital Goods Supplies and Consumption (MTZ)

--Balances and constraints on critical raw materials, materials, products, fuels and energy;

--Key technical-economic indicators (consumption and supply standards);

--Import constraints (by volume as well as on selected items).

Labor and Wages

--Increase in labor productivity (adjusted value added);

--Labor force constraints of which, for selected capital construction projects and increased shift-work, state goal-oriented programs and selected population centers will impose

--Limit on [number of] technical-managerial employees;

--Binding constraints on wages payable.

Financial Plan

--Return on production assets or, in substantiated and verified cases, return on production factors;

--Length of inventory turnover;

--Revolving fund capital tied up in inventories;

* ** The sum of these two categories forms the so-called fixed-limit investments as defined in paragraph E2.

--Rules for fund formation (contributions from profits and depreciation to the development fund, contributions from profits to contingency fund, and contributions to the technical development fund);

--Levies on depreciation;

--Purpose of the levies;

--Constraints and rates for grants and subsidies;

--Share of total costs per Kes 1.00 of production;

--Share of credits for investment.

The State Planning Commission is enjoined to develop a set of binding indicators (projects) for the Seventh Five-Year Plan in accordance with the above guidelines.

5. For the preparation of annual plans, the five-year plan is to establish a relationship between key projects and the incentive system rules. In cases where the VHI's (enterprises) adopt a higher goal for their annual plan than established for the given year by the five-year plan:

a) Their planned basic component of wages payable will be increased in direct proportion to their adjusted value added, and the incentive wage component in proportion to return on production assets, production factors, or export efficiency (in distinctly export-oriented VHI), and their contribution from profits to the development fund is determined by profits. This mandatory relation should thus make possible an increase in the level of average wages when higher goals for increasing labor productivity are accepted; in cases of nonfulfillment of the five-year plan tasks, linear reductions in pay are to be imposed;

b) Preferential treatment is to be authorized for the formation of the export incentive fund depending upon: the development of comparative [price] indicators (for-VC [all charges paid-wholesale prices]) while meeting export tasks at wholesale prices; in case of failure to fulfill five-year plan objectives the fund formation is to be lowered. At the same time, incentives to earn foreign currency are to be implemented.

The State Planning Commission, the Federal Ministry of Finance and the Federal Ministry of Labor and Social Welfare are enjoined to develop rules for preferential treatment according to paragraph b) above.

6. The work on the five-year plan is to be organized as an effective system of verification, progressive redefinition, and itemization of the plan proposal at the individual levels of management; it is to insure a balanced proportion of the planned projects and a definition of linkages between the branch and sectoral aspects of the development to insure a

national regional structure of the national economy. This work is to be based on the significant contribution of the national committees in planning by their sectors.

Accordingly, the central agencies are enjoined to involve the VNU in the development of the five-year plan, especially in the sense that the VNU's are to elaborate and submit substantiated data for the development of progressive plans. The central branch agencies are to insure that, under their coordination, the VNU develop and implement systematically the technical-economic concepts of their development (sectoral development), including programs for modernizing and concentrating the industrial base and increasing the shift-work ratio. These concepts, together with the established directives, are to serve as the starting point for the VNU in preparing their five-year plan proposal and will enable them to be in a more effective compliance with the approved five-year plan.

The central branch agencies and the VNU are enjoined to develop and insure, in their economic plans and in their breakdown for subordinated organizations, compliance with constraints and economic conditions established by the state five-year plan, including its breakdown for individual years in the five-year plan. Economic plan and plan breakdown indicators are to be differentiated, both in substance and in methodology, according to the specific conditions and projects of the individual branches, VNU, and enterprises. The success of branch, VNU, and enterprise economic plans is to be insured through appropriate technical and organizational measures, including measures to be taken in management organization.

7. The fundamental objective of the annual plan is to provide for and organize the fulfillment of the critical tasks and goals of the five-year plan in a way that corresponds to the course and results of its implementation, even in situations where foreign and natural conditions in particular are significantly different from those foreseen by the five-year plan. In the event that these differences prove so extensive as to significantly affect the remaining years of the five-year plan, the national five-year economic plan will be adjusted. The task of the annual plan is also to respond to the current needs of the society and to take advantage of all possibilities for accelerating economic development, especially taking advantage of unforeseen scientific and technical discoveries and, from this perspective, to formulate the five-year plan objectives more precisely.

In order to maintain an active controlling role of the VNU five-year plan and the economic conditions resulting from it in the process of implementing the plan, while creating conditions permitting the annual plans to fulfill their role even when there are deviations in the VNU annual plans from the five-year plan without having to change the latter, the central agencies will allow the VNU (economic production units) some flexibility in meeting selected five-year plan objectives and under given economic conditions. Only if it becomes necessary to limit this

the latter, together with the said VMI, in 1966 and the five-year plan for the remaining years in all its branches, regions and enterprises (including the current status of its implementation). Adjustments within the limits of flexibility are made by the social enterprises without an increase in the current five-year plan and the economic conditions it established. Adjustments within the limits of flexibility have no effect in any way the linkages within the annual plan. These tolerances are to be used primarily for indicators delimiting the critical conditions for the VMI's basic raw materials, investment capital (power, numbers of employees, and standards establishing the basic economic conditions). Central branch agencies establish these flexibilities limits differentially upon consultation with the appropriate planning commission, Ministry of Finance, and Ministry of Labor and Social Services.

The state plan is to establish these tolerances in similar cases, or only to set up standards that determine the key economic conditions for the branches.

The five-year plan is the basis for the preparation of the annual plans at all levels of management. Consequently, the current concept of formulating the annual plan is dispensed with the provision that the government will gear the annual plan preparations toward providing solutions to certain problems and determine the ways and means to achieve it; the central branch agencies will then break down these directives into specific instructions for the VMI concerned.

These regulations will be the determining factor in the plan preparation by the VMI and for organizing the participation of workers in the plan development in the form of a counter plan.

The attention of the workers in the counter-planning is to be directed especially at ascertaining the qualitative five-year plan objectives while remaining within the limits of allocated resources. Increasing qualitative goals is to be consistently subordinated to the requirements and potentials of the national economy. In cases where counter plans require a higher consumption of raw materials, goods in process and [final] products, the requesting organizations and their superiors are to handle meeting these increased requirements with their suppliers during the negotiations of supplier-consumer relations in the process of plan preparation. The supplier, however, may not reduce the material deliveries to his other customers.

Central agencies and VMI's are enjoined to create conditions that will assure the maximum contribution from counter-planning according to social needs and by means of counter-planning to enlist and involve in the process of annual plan preparation, in particular, socialist work brigades, expeditor teams, exceptional workers, inventors and innovators

and induce them to uncover and exploit the hidden potential for intensive growth in production, increased product quality, and for meeting the growing needs of the society.

The medium of monetary incentives in the counter-planning process will be above all a system of ties between its important objectives and the tools of the incentive system. The adoption of more demanding tasks in the annual plans than those established by the five-year plan is to be taken into account in any evaluation.

At all levels of management, the system of annual plan projects is to be derived from the system of five-year plan indicators and adjusted to correspond to the basic function of the annual plan--to insure and to implement the projects and objectives of the five-year plan in the specific conditions of the given branch, VUL, or enterprise. From this point of view, the system of the annual plan indicators will basically contain the five-year plan indicators (without excessively repeating the projects established in adequate detail by the five-year plan and in accord with the development requirements in the planning year), it will supplement it [the five-year plan] by providing for additional tasks or giving concrete expression to the five-year plan and elaborate on it while remaining within the given constraints.

To insure these stated objectives, the State Planning Commission is enjoined to:

- Establish specific procedures for the development of annual plans, especially with a view to the possible necessity of more extensive interventions in the economy during the progress of the five-year plan implementation;
- Develop jointly with the Central Council of Trade Unions guidelines for the implementation of counter-planning in accordance with the stated principles.

The State Planning Commission and the central agencies are enjoined to apply the system of indicators of the plan projects in the annual plans in accordance with the above-mentioned principles.

9. Changes in projects, constraints, and economic conditions established by the plan may only be approved by the Agency of the economic management which prepared them in the plan break-down. Shifts in tasks (reductions) and "softening" of conditions for badly managed organizations is not to be allowed. Changes in the plan are to be limited to making improvements in efficiency and preventing imbalances.

A consistent plan balance at all levels of management is to be insured primarily by a more efficient resource utilization. From this point of view, the data system of economic efficiency of production is to be continually developed. The balance of the plan is to be verified and revised through full justification and data on resource formation and consumption and by insuring that the factors of planned development are met, i.e., insuring meeting objectives and planned economic results of science and technology.

1. A complete balance between resources and requirements is to be insured by a comprehensive system of mutually interrelated proportionality expressed in terms of value (structural and marketing) and an allocation of material resources and allocations. These material balances are to be developed as a means of verifying and insuring the structure of production and its balance with consumption and its structure.

Overall sales balances, expressed in monetary terms, are to determine not only the sales to meet final national economic needs, but also to meet production requirements outside the originating VML. This is to delimit and insure the overall production and marketing goals to meet the needs of the economy's national industrial distribution system.

A balanced relation of production to capital investment and exports is to be gradually developed and broken down into categories corresponding to the key production sectors.

Depending on the extent of state plan stabilization (in raw materials, goods in process, and final products which are of key importance in maintaining national economic balances), the production stabilization is to be commensurably expanded to other products at the central branch agency and VML levels; at the same time, a stabilization program in selected turn-key plant projects and the requisite component subdeliveries is to be established.

The role of [national] distribution system is to be expanded in such a way as to become an efficient tool in the development of products being assessed; an instrument in the prospective development of production in accordance with the growing consumption and its structure; an instrument for the management of structural changes, integration into the international division of labor, internal specialization and production cooperation; and an instrument in the formation of an industrial base through the implementation of an investment policy.

Agencies and organizations called upon to maintain balances in specific raw and processed materials, products, and energy are responsible for the overall balance of the plan's requirements in terms of resources

suppliers and consumer agencies and organizations, are responsible for seeing to it that these established balances are reflected in other parts of the plan.

The appropriate agencies of industrial management are responsible for satisfying the needs of the national economy and of the population with an appropriate mix of goods in the required time and locations and in conformity with the material balances.

The State Planning Commission is enjoined to adopt uniform and binding procedures for stabilization at the level of central branch agencies and VNIJ general management.

2. In cases where it is useful to concentrate the coordinating activity of the production sectors, or its elements, of several VNIJ or branches at one location, the use of gesce [centrally coordinated management] is urged.

Import-marketing coordination management [gesce] is to be significantly expanded with the objective of effecting a more efficient expenditure of foreign currency and streamlining of marketing procedures; these [gesce] are to be organized especially in cases of regularly imported items for large numbers of domestic consumers including spare parts for imported engineering products.

In order that full advantage may be gained from the import-marketing gesce, the State Bank of Czechoslovakia, in conjunction with the State Planning Commission and the Federal Ministry of Foreign Trade, is enjoined to resolve foreign currency regulations in a way corresponding to characteristics (classification) of products which are subject to import-marketing gesce.

3. The system of negotiations and settlements in supplier-consumer relations during the planning process is to be strengthened.

Deliveries for scientific and technical development must be identified and secured by contract to cover periods of the basic stages in the science-technology--production--utilization cycle; deliveries for capital investments and export of turn-key plants for the entire period of such construction; and deliveries for the manufacture of products with a long production run for the entire period of the production phase. At the level of the annual plan, these supplier-consumer relations are only to be clarified.

The negotiation stage in supplier-consumer relations is to be expanded in the sectors concerned with export of complete plants, the subcontracting for machinery and equipment and other individual [capital goods] items and contractual responsibilities for deliveries needed for the final assembly of exported turn-key plants are to be resolved.

Disagreements in negotiating the supplier-consumer relations are to be completely cleared up at the appropriate management levels and within established deadlines. The disagreements are to be resolved after a thorough examination of both the resource and distribution sides, including explanations of individual requirements and a guaranteed implementation of the plan priority projects. The principle is to be gradually applied that supplier-consumer relations, crucial to the realization of the agency's or organizations' plans, must be agreed to at the stage of concluding and breaking down the plans.

The State Planning Commission and the CSRS State Arbitrator are enjoined to develop, according to the stated principles, the provisions for establishing supplier-consumer relations during the planning process, including the five-year plan.

4. Those responsible for important production programs, state goal-oriented programs, implementation of key scientific-technical developments, and the construction ministries responsible for comprehensive residential construction programs are enjoined to formulate, together with proposals of measures as part of the plan recommendations and analysis of comprehensive safeguards to assure sufficient materials for their respective productions, taking into account quantities, product mix and delivery deadlines as well as the technological standards of the produced subassemblies.

The central branch agencies, VNI and enterprises are enjoined to submit, within the framework of their five-year plan proposals, proposals for a timely prevention of bottlenecks in providing for their production needs together with the estimates of their funding requirements and of the overall effectiveness of the proposed measures.

The State Planning Commission is enjoined to specify and delimit these obligations within the unified methodological instructions for developing the appropriate plans.

5. All economic management agencies are enjoined to preplan readily available marketing reserves for the consolidation of the supplier-consumer relations even the cost of sales inventories. When appropriate, the inventories are to be centralized and used in operations to assure steady flow of supplies for development, production and capital construction.

Economic management agencies are enjoined to screen regularly any unused inventories and inform selected organizations which routinely sell those products to a wider range of customers about them. They are also to work on integrating the CSRS into the international exchange among the CEMA member countries. The State Planning Commission is assigned the responsibility for developing binding procedures for this purpose.

Central branch agencies are enjoined to secure and implement, within the framework of programs for improving the organization of management, increasing the efficiency of marketing and supply management (including intra-enterprise systems) and centralizing marketing and supply activities at the VNI or central agencies as useful. In this sense they are to attain:

--Delivery flexibility, reliability, and readiness of the marketing and supply organizations to arrange for necessary inventories of the entire product mix they need for the purpose of reducing the order and delivery times and provide for a regular satisfaction of the customer needs. For this purpose they are to secure deliveries from the producers based on the timely negotiation of supplier-consumer relations and the conclusion of commercial contracts;

--Stabilizing the movement of goods and their unalterable destination. At the same time, they are to set a new minimum amount of purchases from production and the conditions for purchases from marketing organizations. They are also to insure that for the product mix delivered by the marketing organizations commercial-technical, advisory, and maintenance services are provided, as well as expansion of full service product mix deliveries according to the type of the selected circle of customers (so-called professional supplies).

6. A more consistent structuring of supplier-consumer relations in the process of plan formulation and insuring of the planned ratios of the objectives, and of securing material resources for their implementation as well as improving the efficiency of the contracting system, is needed.

The obligatory signing of long-term commercial contracts is to be expanded and, particularly, preliminary agreements concluded, at the level of economic management agencies on the basis of long-term planning schedules covering the entire five-year plan or the duration of the planned project, these are to become a binding basis for setting objectives for the preparation of the implementation plan, for the break-down of the annual plans, balance statements and assignment plans.

There is to be an expansion of mandatory commercial contracts on the basis of planning schedules which will contain at least the approximate scope and completion time and bring together the supplier and consumer organizations, especially on the basis of assessments and distribution plan schedules approved at the level of the central agencies and VNI general directorates. In cases where the obligation to conclude a commercial agreement is established by law, it is to be extended to the deliveries and subdeliveries for securing the projects specifically established by the federal government for long-term contractual obligations and to deliveries of spare parts for the delivered products to the extent necessary to cover essential needs.

The fulfillment of the implementation plan requirements by means of commercial contracts is to be secured through effective incentives for the supplier production organizations in such a way that the planned scope of deliveries is covered by the commercial contracts concluded shortly after the expiration of the order and before the quarter the deliveries are due; cases and conditions under which the higher-level agencies will be empowered to authorize an exception are to be covered by legal provisions (for example, indispensable reserves, reasonable production for storage, cases of break-downs).

The CSSR State Arbiter, in cooperation with appropriate central agencies, is enjoined to develop appropriate directives according to these principles. At the same time, the effectiveness of the financial penalties for violations of contractual relations is to be increased specifically in that the penalties which have not been involved and paid on time will have to be paid into the federal treasury not only by the organization which did not assess and demand the payment of the penalty but by the organization which failed to fulfill the contract and was to have paid it as well. The effectiveness of the economic penalties is to be reexamined and they are to be used on the basis of a decision of the agency of the economic arbiter against the most serious antisocial behavior of organizations and agencies of economic management, for example, in cases of failure to fulfill obligations established for negotiating supplier-consumer relations and dispute mediation, deliberate setting of excessive requirements in the planning process, violations of legal obligations in changing production programs, etc.

Central branch agencies are enjoined to inspect for timely and consistent making of agreements and fulfillment of commercial contracts and draw appropriate conclusions for any violations.

Central branch agencies are enjoined to examine and, effective in 1981, shorten the terms of delivery so that they provide for only the time actually needed for the preparation, production, and delivery of the product.

The State Planning Commission and the CSSR State Arbiter are enjoined to develop the question of gradual transition to evaluating the activity of economic production units and enterprises on the basis of agreements arranged and compliance with the terms of contracts.

7. A system of standards serving to raise the quality of plan development, specifications, and monitoring of its implementation in terms of quality is to be gradually built up and systematically implemented.

These standards must express and insure the contributions of technological developments to each economic task, the experiences of inventors and innovators and socialist work brigades. A system of aggregate consumption standards is to be formulated for the use of higher management levels.

Activity directed at intensifying the influence of technical standardization of product quality and consolidation of production, especially in terms of conserving raw materials, parts and energy, must, above all, be focused on key sectors of the national economy.

As far as uniformity and accuracy of measuring and measuring devices used in metrology are concerned, the emphasis should be shifted to the production sphere, particularly in key industrial sectors.

The Federal Ministry for Investment and Technological Development, the State Planning Commission, and the Bureau of Standards and Measurements, as well as other central agencies, are enjoined to develop, in their respective areas of activity, long-term programs for developing a standards base, encouraging its consistent use and develop conditions for its use in the planning process; the programs are to insure that the work is oriented primarily toward standards in consumption of raw and processed materials, fuels and energy, inventory standards, standards of utilization of production facilities, state technical standards and development of a wider application of the system of technical-economic indicators for the planning and implementation of capital investment.

Explicit standards (in their aggregate) are to be established as plan objectives and responsible employees are to be encouraged, through monetary incentives, to implement them or to have punitive measures imposed for their failure to meet them.

8. The State Planning Commission and the central agencies are enjoined to develop, in drafting the plans for national economic development and economic plans for individual sectors, adequate material and financial resources to assure a smooth and balanced economic development in accordance with the basic objectives and tasks of the five-year plan. Unused capacity is to be exploited for a flexible adjustment of annual plans to routine (but not unusual) deviations from the five-year plan and for routine adjustments in external conditions; to support the acceleration of the five-year plan objectives and the implementation of new and unforeseen scientific and technical developments; to support more rapid development of the more progressive VNI and production programs; and to take advantage of additional export and import possibilities.

The State Planning Commission is enjoined to develop, relative to the unresolved specific problems of development after 1980, the systemic and methodological aspect of the creation and utilization of our potential strengths with the necessary differentiation based on the conditions and needs of the individual levels of management.

9. The Federal Price Office is enjoined, in cooperation with the State Planning Commission, the Federal Ministry of Finance and other pertinent agencies, to further strengthen the concept of centrally planned price developments and conscientiously update the price system as one of the

prerequisites for economically correct decisionmaking in the process of planning and insuring the balance between the material and valuation processes. The price development plan is to be linked to the development concept of the Seventh Five-Year Plan and state goal-oriented programs.

Prices are to be used more effectively to support the tasks and objectives of the plan (the price incentive and motivation through structural changes in production and consumption, in innovation processes and in efficient alterations of product mix, product quality, foreign trade exchange effectiveness, etc.); to support economically justified profitability by taking advantage of operational changes in pricing and in setting prices for new products.

The State Planning Commission, the Federal Ministry of Finance, and the Federal Ministry for Investment and Technological Development are enjoined to improve the methods of projecting the price changes into the plans, construction budgets, and their implementation; at the same time:

--Based on the development of a system for utilizing financial instruments to cover the price differences resulting from price changes implemented in stages in the years 1981-1982, evaluate the effectiveness of using this system in future years;

--To the extent necessary, proceed in such a way that the adjustments in wholesale prices of fuels, energy, raw materials, materials, transportation, and other products and services contribute to exerting a more effective economic pressure on the level of conservation, production efficiency and consumption in that the consumer will be compensated for the increase in prices of these products and services from their profitability of production, and that, to a certain extent, it will represent a supplementary objective to the planned reduction in costs; for the purpose of reinforcing the effectiveness of prices, the process of the plan development of wholesale prices is to be consistently tied with the other parts of the plan at all stages of its development and at all levels of management.

The State Planning Commission, the Federal Ministry of Finance, the Federal Price Office, the Federal Statistical Office, and the central branch agencies are enjoined to evaluate the usefulness and feasibility of implementing in the VII five-year plan a classification of costs according to production sectors for the purpose of expanding the planning of costs and, especially, developing the basis for planning the price development.

The Federal Price Office, in cooperation with other competent central agencies, is enjoined to intensify the development of a long-term price outlook and budgetary projected prices in estimating the prospective

import purchase prices, evaluation of other production factors (production assets and labor), costs, etc.; this data is to be used especially when studying the levels of efficiency of work on a long-term outlook, in establishing plan objectives, parameters of the state goal-oriented programs, outputs of the technological development plans, production from newly installed capacities and their price constraints in the area of monetary incentives.

The Federal Statistical Office, together with the Federal Price Office, the Federal Ministry of Finance and the State Planning Commission are enjoined to develop a statistical and/or accounting system for following the fulfillment of the plan of price developments not projected by the national economic plans.

10. It will be necessary to construct a computerized system of planning estimates (ASPV) in order to enable, in addition to more consistent balancing and greater interdependency within the plan (especially at the central levels), an introduction to alternative planning; the ASPV is also to be tied in with the development of computerization of planning estimates in the USSR and other CEMA countries.

The State Planning Commission is enjoined to insure a methodical direction in the respective sections of the computerized planning management systems at the level of ministries and VKhJ and the coordination of related information in the planning process among the State Planning Commission, central agencies, and industrial economic sector; it is to develop binding time schedules for the implementation of the ASPV.

C. Improving Quality in the Breakdown of State and Economic Plans, Quality Controls and Evaluation of the Plan Fulfillment

1. The quality of the plan detailing from the central agencies to the VKhJ and from VKhJ to individual plants and enterprises is to be improved, especially as to its consistently comprehensive nature, balance and coordination among organizations for which the plan is meant. The plan is to be detailed on the basis of an analysis of the development process factors of individual indicators and final results based on the standards and technical-economic indicators and in terms of such indicators as most precisely express the organization's tasks in relation to the national economy and its resulting contributions to the society. In the breakdown of the five-year plan, an effort should be made to establish long-term plan objectives and economic conditions for socialist organizations within the VKhJ with the objective of detailing the plan for the entire 5 years taking into account the circumstances and objectives of individual organizations.

The introduction of the plan into internal enterprise subdivisions is to assure an efficient transformation of plan objectives into specifics which the respective subdivisions and collectives can use to assure the

development and mobilization of material resources and unused capacity to increase production and efficiency, coordination among intra-enterprise subdivisions and a more consistent, timely preparation of production and the corresponding orientation of labor initiative.

2. Qualitative and quantitative indicators, expressing the relation of the organizations to society, are to become the basic criteria for plan control, evaluation and incentives.

Control and evaluation of plan fulfillment should be based primarily on the fulfillment of the five-year plan from its beginning while the control and evaluation of the fulfillment of the annual plans are also maintained; monetary incentives for plan fulfillment are to be oriented in the same way.

Top priority in the controls and evaluation of plan fulfillment is to be assigned to a balanced fulfillment of objectives according to the planned directions of social utility, i.e., toward meeting the marketing objectives within the established structure while maintaining the planned efficiency, product quality, exportability and the future development targets of the given organizations, including the development of the basis for this development.

Crises management is to be eliminated at all levels of leadership and systematic and sufficiently frequent evaluations and controls including provisions for corrective adjustments and the consistent evaluation of how these are fulfilled, are to be implemented. Results of the plan fulfillment evaluations and controls and the implementation of the measures adopted are to be consistently taken into account in using the system of wage incentives; for the managers affected, the merit system is to be specifically and individually applied.

The analysis of economic results of the organizations are to be in [strict] accordance with the stated principles.

Within the framework of management organization, an effective division of control activities along the management axis is to be defined. Here the principle that the higher level (unit) of management controls primarily the fulfillment of the objectives it has established, the efficiency of the methods used to achieve it, and compliance with the measures it has prescribed for its subordinates, is to be strictly followed. Analytical activity and controls are to be tied to the evaluation of how the earlier accepted measures were implemented, and their nonfulfillment is to result in appropriate consequences; measures involving no substantive changes cannot be accepted.

A systematic verification of the effectiveness of the instruments of planned management, in their mutual relations and with respect to their effect on the fulfillment of the set objectives should be tied to the controls and evaluation of the plan fulfillment.

The State Planning Commission is enjoined to prepare:

--Together with the Federal Ministry of Finance, the Federal Ministry of Labor and Social Affairs, the Federal Ministry for Investment and Technological Development, the State Bank of Czechoslovakia, and the Federal Statistical Office an outline of rules for developing the plan at the level of central branch agencies for the VHJ and socialist organizations and for making changes within the VHJ;

--Together with the Federal Ministry of Finance, the Federal Ministry of Labor and Social Affairs, the Federal Ministry for Investment and Technological Development, the State Bank of Czechoslovakia, the Federal Statistical Office, and the Czechoslovak People's Control Committee an outline of rules for implementing the controls and evaluation of the plan fulfillment; all existing fragmentation in implementing these controls is to be eliminated.

Central branch agencies are enjoined to develop, on the basis of the above-stated rule outlines and after discussions with the State Planning Commission, issue directives on the detailed breakdown of plans and the implementation of controls of plan fulfillment in their sectors, for introduction of the plans into the intra-enterprise subdivisions and for making changes to the plan within the VHJ.

D. Increasing the Effectiveness of Research and Development Planning and Its Application in the National Economy

1. The five-year plan of a VHJ [economic production unit] should be conceived as a comprehensive plan, based on plans for development, increases in product quality, the introduction of new products and technologies, including their basic parameters, innovations in the existing production structure, the phasing out of obsolete products in connection with the standards of their technical-economic useful life, introduction of new production capacities, reducing the material-intensive nature [of products], etc. Its tasks are to be carefully interrelated with the supporting aspects of the plan and the results of technological developments integrated into the planned material and value indicators.

2. A system of coordinating technical development plans is to be included in the plans at all [organizational] levels; in addition to the basic utility parameters, the contributions of technological developments by both, producers and consumers, are to be expressed more consistently and are to be reflected in the indicators in all the related parts of the plan; attention must also be focused on conservation of fuel, energy, raw and processed materials, on relative and absolute savings in labor, increased labor productivity, a rise in the volume of production, increased profits, an increase in the volume of export and its effectiveness, the ability to compete on the world market product marketability, service and spare part availability, an improvement in

the relationship to foreign pricing, reduction in the volume of imports, license contributions, etc.

For planning and following up on the overall results of technological development and for evaluating this development in terms of its results, optimum conditions are to be created in record-keeping and accounting.

3. Suggested price and cost limits for new technology should be applied to all technical development objectives and the employees involved given a monetary incentive for remaining within these limits.

Any possibly unfavorable consequences resulting from the economically efficient implementation of the results of research or development are to be taken into consideration at as early a stage as the V&D and enterprise level plans. In case these consequences could not be reflected in the plan, changes are to be made in it or they are to be taken into account during the control and evaluation of plan fulfillment.

4. The presumed key, final user, organizations are to be effectively included in the negotiations on the supplier-consumer relations affecting technological developments. Contracted and subcontracted deliveries for research and development and for the implementation of the results in production are to be given consistent priority.

5. In the course of plan fulfillment, necessary operational interventions to accelerate the expansion of the production of new, technologically advanced products are to be made. Available facilities in enterprises and V&D and other sectors are to be employed for these purposes to assure the needed shifts in and production-operational corrections to the plan.

Controls in the area of technological developments are to be prepared and implemented as a complete control system executed through the management chain and aimed at the research--development--production--utilization cycle; the existing control forms and instruments, such as the use of technical analysts, days of inspection, approving and evaluating activity, and systems of records and analysis conducted at or kept for different periods are also to continue in use as appropriate; the correlation of all these tools is to be assured and their comprehensive implementation effected.

The State Planning Commission, the Federal Ministry for Investment and Technological Development and the Federal Statistical Office are enjoined to amend or issue appropriate directions implementing the stated principles.

The Federal Ministry for Investment and Technological Development, the Office of Standards and Measurements, and central branch agencies are enjoined to complete the quality control and management system in enterprises, V&D, and ministries, to enforce consistently personal

and, therefore, in the construction of new testing stations according to the needs of the national economy.

2. Increasing Effectiveness of Planned Long-Term Asset Replacement

1. The results of the technological developments and planned structural changes are to be uniformly assured through the long-term asset replacement plan; at the same time, the comprehensive investment requirements of the program including related investments in other sectors are to be verified, evaluated and secured.

2. Procedures to classify investments are to be developed, basically, in two categories:

--The category of priority centralized construction, financed as part of capital formation;

--The category of fixed-limit investments including other construction of over Kcs 2 million in budget costs, construction of up to Kcs 2 million in budget costs, and machinery and equipment not included in the construction budget but financed from the development fund.

For the "other construction projects budgeted at over Kcs 2 million" the amount of unfinished construction is to be regulated by placing limits on construction starts for such projects with a conditional limit on the remainder of the budget costs.

The volume of work and deliveries, basically established in the state plan for other construction over Kcs 2 million of budget costs, and a binding limit on the volume of work and deliveries for construction under Kcs 2 million of budgeted costs and machinery and equipment not included in the budget should be broken down for the VMI in the form of standards for the formation of the development fund; central branch organizations are obligated to insure that the limits of the volume set for them in the break-down of capital are not exceeded. At the same time the established standards set up technical-economic criteria for these investments and define the cases when these investments may be implemented only with their consent (for example, projects requiring an increase in the labor force, machinery imports, deliveries of centrally controlled products, projects connected with the state goal-oriented programs and with socialist economic integration).

3. Construction related to state goal-oriented programs requiring expenditures in excess of Kcs 10 million is to be evaluated and secured at the state plan level. Other construction and machinery and equipment not included in the construction budget are to be secured as expedient and on a priority basis for programs managed by a central agency group (project coordination management) within the framework of objectives and limitations established by the state plan.

capital capacity requirements are to be met primarily by increased utilization of existing facilities including (delimitations of production facilities), modernization and reconstruction.

Construction priority is representing an implementation of state objectives in technological development with capital expenditures for machinery and equipment which are higher than Kcs 10 million are always to be secured in the form of centralized construction with the elimination of any possibility of shifting the capital to some other project.

An orientation toward progressive modernization and rapid return on investments is to be enforced; such investments should be included in the plan on a priority basis and given commercial advantages.

Central branch organizations, the State Planning Commission, the Federal Ministry for Investment and Technological Development, the Federal Ministry of Finance, the Czechoslovak State Bank and the Federal Ministry of Labor and Social Affairs are enjoined to raise considerably the criteria for the preparation and inclusion of construction projects in the plan and the beginning work in them; and priority is to be given to the following:

- The implementation of a technological development plan (research and development tasks) approved by the appropriate level of management in connection with coordination plans that, in their sum, assure the innovative development of a given branch or sector;
- The use of licenses either already purchased or approved for purchase;
- The modernization and reconstruction of existing facilities, especially those providing new production technology;
- The conservation of labor, fuel, energy and metals, a reduction of transportation requirements, costs, and achievement of production price (or wholesale price) limits at new production facilities such as to assure the desired up-dating of the price system, bringing it closer to the price levels in the demanding foreign markets;
- The utilization of existing, adaptable operations as two full-shift operations;
- An improvement in the balance of payments, especially through increased efficiency of production and, thereby, of foreign currency operations;
- The fairly high, or at least average, efficiency of long-term assets achieved in a given sector;

--The demonstrated availability of manpower for future operations without including the use of existing capacities by releasing the labor for such operations;

--Assurance of a gradual reduction in unused (vacant) work positions even when delimiting the volume of machinery and equipment not included in the construction budgets;

--Evidence that an objective cannot be reached in any other way than by capital investment.

Work positions and work opportunities statement is to be included in this evidence.

Further, it is to be insured that the issuance of investment intentions, approval of the background data, and selection of construction projects for the plan include alternative choices developed on the basis of sets of technical-economic indicators or successive comparisons. Construction projects where standard costs negatively effect the parameters established by the set of technical-economic indicators or costs of comparable projects (including construction in technically developed countries) and which do not guarantee the required production efficiency in the new facilities, are to be excluded from the plan.

In case of any disagreements concerning technical solutions, time limits for the construction, prices or budgeted costs, the established rules will be followed for their mediation; the agencies in charge will be empowered to make the decision.

5. The State Planning Commission is enjoined to coordinate the structure, location, and time limits of critical work and deliveries for construction specified in the state plan (mandatory objectives).

Central agencies and V&J are directed to specify in the implementation plan details reconciling the investor's and supplier's positions and, at the same time specify, at the minimum, start up times of facility operations and construction completion deadlines, including intermediate deadlines, deliveries for construction specified by the state plan (mandatory objectives) and construction deliveries exceeding the established budgeted costs.

The amount of unfinished construction is to be regulated in such a way that the plan itself is to assure the conditions for completing the project within the established deadlines. The regulations are to be tied in with monetary incentives for supply organizations by, among other things, applying [the criterion of] profitability of production assets, including unfinished construction.

6. Priority is to be given to the design and construction of projects based on model or recurring structures and production facilities; these are to be announced in a binding register.

For the purpose of regulating product deliveries for model and recurring housing and public construction, a binding register of the product mix with appropriate plans is to insure the necessary production.

7. The system of prime contractor functions should be used more widely; an experimental system plan for "turn-key" project deliveries is to be prepared.

8. Throughout the entire process of planning and managing the capital asset replacement, the responsibility of the central branch agencies is to be reinforced and, by means of intensifying khosrachet interrelations, the economic accountability of VIL's and enterprises for the following is to be increased:

- Decisionmaking regarding the preparation for and the actual construction;

- High efficiency tied to world standards and foreign currency, costs, and earnings;

- Adherence to planned (design) specifications approved at the previous stage and in preceding construction approval data;

- Timely investor, design and supplier preparations;

- Adherence to planned (contracted) deadlines.

9. A balance is to be assured between long-term asset and labor force replacement during a more intensive substitution of machinery for labor, without further increasing the capital intensiveness of economic development while proceeding with the effective centralization of the industrial base.

In planning and preparing the replacement and centralization of long-term production assets, the principle of uninterrupted or three-shift operation in technologically continuous, energy- and transportation-intensive production processes involving expensive high-technology is to be consistently applied; in industrial production areas, two full-shift operations in basic production should be used as a starting point.

To expand capacities for goal-oriented programs, priority objectives of increased utilization are to be established in selected operations by expanding shift-work based on transfer of workers from the operations being phased out. A long-term concept of economic structure and concentration of the industrial base and the increase in shift-work in selected industrial regions or localities should be developed.

Plans should provide a specific priority list of the factories and plants being phased out; financial penalties should be imposed for failure to release the planned number of workers freed by the phase-outs.

10. Efficiency criteria are to be expressly applied in the planning, preparation and implementation of construction projects. To this end, reviews by state-appointed experts should be gradually extended to all centralized construction projects and applied not only to design tasks, but also to the investment intentions for construction specifically included in the state plan; federal experts will also generalize selected investments and evaluate the influence of the construction on external economic relations.

11. Supplier-consumer relations negotiated at the project design stage are to be given, in case of state plan priority construction, the status of preliminary planning decisions for setting aside appropriate supplier and key subcontractor capacities for centralized construction projects with the condition of including them in the plan without binding time limitations; supplier-consumer relations negotiated at the stage of completion of the preliminary design and the inclusion of the construction project in the annual plan are to receive the status of a binding planning decision for securing the supplier and essential subcontractor capacities or individual items deliveries for the duration of the project.

The project completion deadlines are to be more generalized while, at the same time, the responsibility of the general developer for meeting them within the projected time schedules is to be increased.

12. A comprehensive capital investment system based on the stated principles that will focus in particular on meeting the criteria for preparation and scheduling the construction in the plan is to be developed and implemented, completeness of pre-design and project plan preparations, insuring that the construction has adequate construction and assembly materials and technology within the required structure and time constraints as well as adequate labor for future operations; further, for the progress and efficiency of capital construction, timely project completion, and introduction of the capacities into operation within the set technical-economic parameters, for appropriate pricing of contract work and deliveries, especially of nonstandard machinery and equipment and drawing on the capital resources. The principles are to be developed and division of labor delimited for a uniform, comprehensive application of these controls, primarily through the management chain and external control agencies.

The State Planning Commission, the Federal Ministry for Investment and Technological Development, the State Bank of Czechoslovakia, the CSSR State Arbitrator and other appropriate central branch agencies are enjoined to insure the publication of appropriate directives or amendment for the implementation of the stated measures.

The State Planning Commission, the Federal Ministry for Investment and Technological Development and the Federal Ministry of Labor and Social Affairs are enjoined to develop a methodologically uniform system of verifying that the facilities under construction will be able to obtain an adequate supply of labor and that capacities are not being added without a regard as to whether or not labor is available with a resultant weakening in the capacity-utilization rates or when the product could be produced by better utilizing existing capacities.

F. Improving Planning of Labor Force Replacement and Utilization and Wage Fund Planning

1. The long-term resource balances and division of the labor force is to be extended to two five-year plans (i.e., the seventh and eighth five-year plans) as a precondition to better coordination of long-term asset and labor force replacement and labor classification.

2. An absolute limit on the number of workers (rather than setting an expected increase in the number of employees) is to be established in the five-year plan; it is also being urged that these limits not be reached in the annual plans while exceeding the limits is to be strictly penalized; wage developments based on merit are to be encouraged and insured through effective controls.

3. An undesirable drain of the labor force into certain organizations and administrative activities is to be prevented by providing that only the unified agricultural cooperatives and public services organizations will be exempted from the binding plan limits on the number of workers, while in regulating recruitment and assignment of workers only those organizations and state administration agencies which are regulated by other effective tools are granted relief; further exemption is provided only for the public services organizations.

In support of this objective, the plan is to set the number of technical-managerial personnel (in organizations managed by the central agencies and KXV [kraj] national committees) as a percentage of the total number of employees and expand the system to other organizations; gradually, a binding standard number of technical managerial personnel in selected activities and agencies is to be established.

4. The status as the basic link in the labor force management is to be strengthened through an overall evaluation of plan fulfillment regarding the number of employees based on the number of all VNI subdivisions within a district or region.

5. An integrated priority system is to be created to assure precedence in assignment of labor to projects of national economic and social importance; for this purpose:

--The number of such priorities is to be limited, usually established for a 5-year period, particularly to insure structural and regional changes in the economy, and detailed and operationally expanded in the annual plans;

--Priorities are to be enforced and given preferential treatment in the plan details on the number of employees, in the plan on the placement of the younger generation and school graduates and by providing material security for apprentices, by transferring employees from specifically named liquidated plants or workshops and providing material security for such employees, by using nonstandard forms and by authorizing recruitment and recruitment bonuses, in plan details for stabilization of housing construction and its financing, by stabilization in wage preferentials, in plans for professional, personal and social development, and by systematic controls on plan fulfillment by middle management and kraj national committees in terms of the number of employees.

6. Investors are made responsible for furnishing their supervisory agency and the appropriate area planning agencies with a specific program for insuring the labor for building of additions to existing capacities, including a program providing for training, housing, and special services, including those administered by the national committees.

7. The numbers of pupils and students to be accepted into individual fields of study is to be established in accordance with the needs of the society; these numbers are to be regulated to increase them in shortage areas and cut them in overage sectors; the organizations are to be assigned specific assignment goals for shortage area study programs in their management plans.

8. Changes in the structure and technological level of our national economy and the corresponding job qualification requirements must be taken into consideration in any such plan providing for qualified personnel and vocational training programs; for this purpose:

--The five-year plan for training qualified personnel is to be tied to long-term outlook requirements;

--Provisions are to be made for establishing links between the prospective plans for qualified personnel requirements and the plan for labor replacement and to the other parts of the national economic plan, particularly state goal-oriented programs, technological development, and fixed assets replacement;

--The system of vocational training is to be consistently a part of the plan for training qualified personnel.

9. Central branch agencies, in cooperation with the Federal Ministry of Labor and Social Affairs, are enjoined to gradually improve the job streamlining management system and, specifically, to set objectives, and plan tasks and contribution of the job streamlining; to improve and expand the work standards, tending of machines, and [reduce] number of personnel in primary, auxiliary, service, managerial, and administrative activities; to carry out a one-time, overall revision of the use of labor standards (in connection with the program for increasing the economic effectiveness of the wage system), to provide for its future on-going review and to generalize the best practical experiences and knowledge gained from this streamlining and standard-developing practice and, together with the results of progressive research, implement them purposefully in management practice.

10. Within the framework of economic plans, long-term 10-year programs, five-year and annual plans are to be drawn up for the professional, personal and social development of employee collectives in cooperation with the appropriate labor union organizations while advantageous centralizing of certain activities or combining them according to the regional principles and standards for availability of social services are to be established. In these plans the success of the detailed versions of the state and the economic plans must be consistently provided for and the limits therein established must be respected.

The criteria for the participation by organizations in socialist Red Banner competitions are to be made stricter; in particular, participation is to be made contingent upon meeting five-year plan goals and all indicators established as criteria for the routine evaluations of the fulfillment of the annual plan and further, upon indicators established by the higher agencies, by creating the conditions for the continued development of the organization, the technical-economic level of products and technologies, improving the results over the preceding year, and making deliveries within established deadlines. The competition is to be evaluated according to the qualitative economic results achieved (increases in export and in products of the highest quality, conservation of fuels, energy, gasoline, metals, and other raw materials and labor).

11. The wage regulating system must be made more effective by the consistent enforcement of the principle of compensation according to merit in such a way that the social and economic standing of each worker is completely dependent on his contribution to society. Significant wage differentials based on merit are to guarantee that wage developments are proportional to the social productivity of labor. From this point of view, the plan is to mandatorily limit VNJ's as to the volume (the size) of the wages payable over the five-year plan period by a standard in breakdown into individual years and two types of entries (basic and incentive). Organizations of cultural and health administration and cultural and educational support organizations are to be exempt from

this breakdown. The extent of the VNJ wages payable is to be clarified in the annual plans over the course of the five-year plan, while complying with the constraints established in advance in the current five-year plan; for the organizations within the VNJ, the plan is to set binding constraints as to the volume (size) of the wages payable in terms of the two wage components (basic and incentive) by means of the instruments (indicators) expressing as accurately as possible, first, the labor intensity of the production (preferably indicators of production in constant wage or work units) and, second, the organization efforts at increasing efficiency and quality of work within the entire VNJ.

The State Planning Commission and the Federal Ministry of Labor and Social Affairs, in cooperation with other central agencies and the Central Council of Trade Unions are enjoined to take the necessary steps to implement the stated measures, and for this purpose to amend or publish appropriate directives and instructions. They are to work out the problems involved in the system of regulating the development of the wages payable at the state plan level.

G. Improving Effectiveness of Planning in the Area of Foreign Economic Relations

1. Relative domestic and foreign price developments are to be taken as the basic criterion of efficiency for foreign economic relations.
2. The planned foreign currency requirements for the state goal-oriented programs are to be quantified in the five-year and annual plans and provide for complete foreign exchange recoverability of capital imports (including antiimports [items produced locally in lieu of imports]) over the long term. Important investment projects are to be handled in the same way.
3. A significant limit is to be set on the number of priority import projects in area of the so-called selected items of nationally critical raw materials (especially energy raw materials, basic ores and metals, and raw agricultural products).

The capital type imports for the production sectors within the five-year plan and in the annual plans are to be closely checked but, at the same time, the principle of maximum possible return on foreign currency (such as refundable foreign currency credits) with the possibility of transferring fixed-limit foreign currency within the 5-year time period is to be applied. In connection with this, a transfer of fixed-koruna-limit capital investment plans is also to be resolved.

4. To insure consistent fulfillment of obligations stemming from inter-governmental agreements within the framework of socialist economic integration, the planning of corresponding tasks, both in the relevant branch sectors and in terms of total exports and imports at the level of

the Ministry of Foreign Trade is to be initiated; at the same time, the accepted methodology of the long-term plan for multilateral integration measures among the CEMA member countries for 1981-1985 must be adhered to.

5. Efficiency in planning and making provisions for the export of turn-key plants is to be increased; the state plan is to provide specifically for the export volume in selected sectors for such projects which are to be included in the product list of the foreign trade plan. The export of complete plants is to be resolved and assured by using a single, main contractor. At the same time, contracts for the export of turn-key plants are to be established as state plan priority objectives of the foreign trade organizations and all participating suppliers, with the manufacturers concerned being held responsible for the priority delivery of subassemblies to the principal contractor within time limits corresponding to the scheduled progress or construction of the turn-key project, or delivery deadlines deriving from a contract with a foreign customer; such subassembly deliveries are to be contractually secured in a manner corresponding to these requirements.

6. Delivery commitments between production and foreign trade are to be planned in more detail with particular attention to the expansion in the volume of specific numbers of export deliveries. The state and economic plans of the engineering industry exports must be prepared in a more detailed classification according to sector.

7. Territorial planning is to be intensified to an economically advantageous degree.

8. Annual export and import plans and the trade and payment balances are to be worked out mainly in wholesale prices that will be effective in the year being planned for. In trade with the socialist countries in contract prices, [this will mean] prices that will be known for the plan year at the stage of annual plan preparation (with the condition that any possible changes will be subsequently reflected in the plan), and in trade with nonsocialist states in forecast foreign prices.

9. The five-year foreign trade plan for the years 1981-1985 is to be drawn up mainly in constant wholesale prices and constant fco prices. Objectives of the five-year plan are to be considered as binding minimum targets for actual export and increase in efficiency; export and import objectives are to be implemented by annual plans based on current developments and forecasts of changes in foreign prices.

10. Agencies and organizations which are accepting obligations, or will be under an obligation in the area of international specialization and cooperation agreements, will take the following steps:

--They will compile technical-economic studies on the alternative possibilities for the maximum utilization of advanced forms of participating

in the international division of labor (including licensing), and will substantiate their effectiveness in terms of insuring and exceeding the five-year plan objectives and implementing the state goal-oriented programs;

--They will enter into consultations with the foreign partners only on the basis of discussions of these alternative possibilities with authorities competent to approve such agreements on specialization and cooperation; during the consultations, the question of partner selection in the form of alternative offers, processed by the foreign trade organizations, will also be addressed;

--They will enter into binding negotiations with their foreign partners only after a decision about the most effective alternative has been made and approval given by the competent authorities.

11. Both the positive and the negative results of implementing international specialization and cooperation agreements will be reflected in the economic results of the parties to the agreement; any consequences of implementing the agreement may have for other organizations, in particular, questions of prices related to imports of products manufactured under specialization and cooperation [agreements], are to be dealt with at the stage of contract negotiation (in the area of domestic prices and economic tools, including by invoicing the gestor responsibility for efficiently supplying the domestic market).

12. Foreign trade organizations are responsible for seeing that the economically justified ratios of the foreign prices being negotiated on imported and exported goods are adhered to in the individual agreements on international specialization and cooperation; the system of wage incentives and penalties applicable to the employees responsible for doing this will be adjusted accordingly.

The State Planning Commission, the Ministry of Foreign Trade, the Federal Ministry of Finance, the State Bank of Czechoslovakia, the CSSR State Arbiter, and the Federal Price Office are enjoined to insure the implementation of the stated measures.

11. DEVELOPING KHOZRASCHET, MONETARY INCENTIVES AND UTILIZATION OF ECONOMIC TOOLS FOR EFFICIENCY AND QUALITY IMPROVEMENTS

A. Developing Khozraschet [Cost-Accounting System]

Together with improving planning, khozraschet is to be used in all industrial organizations as a management tool and as a method of planned management of the social production process directed at achieving maximum labor efficiency and quality.

Khozraschet improvements cannot be assured in isolation from planning improvements. The plan and khozraschet must act in unison. The basic condition for the development and effective application of khozraschet is an internally balanced and consistent plan or a system of national economic plans within which the role and influence of plans drawn up in monetary terms (the financial plan, the state budget, the currency plan) are increased, a high-quality medium-term plan being of key importance here.

Khozraschet is to be developed at all levels as an integrated system of relations of cost accountability between the enterprise-economic sphere and the society and, also mutually between the individual VHJ's and enterprises, and within the VHJ's and the enterprises. The VHJ khozraschet is to be developed as a new factor while simultaneously improving khozraschet effectiveness in the enterprises and organizations comprising the VHJ.

To create a comprehensive system for correlated khozraschet functioning at all levels of management in the enterprise-management sphere, all central agencies are directed to take the following steps:

1. Management ties between central branch agencies and the VHJ's are to be strengthened and the prerequisites and conditions necessary for introducing VHJ khozraschet management principles are to be created, in particular those necessary to increase the khozraschet accountability of the VHJ as the basic link in management; also to be strengthened are the ties between the VHJ and its enterprises, to insure the effectiveness of VHJ and intraenterprise khozraschet. It is to be kept in mind that khozraschet management of the VHJ as a whole and of the organizations within it is based on plan objectives as worked out in detail differentially and in a balanced fashion.

On the basis of the incentives established for the VHJ as a whole, incentives for counterplanning are to be established for managed organizations with precisely defined objectives to motivate them to fulfill their own plan and that of the VHJ as a whole.

An active interest on the part of the individual VHJ enterprises in positive results to be achieved by their own internal management and by the management of the VHJ as a whole is to be strongly encouraged. The conditions set for the VHJ should determine the degree of this involvement. These conditions are to be established by setting plan objectives and by utilizing the evaluation and incentive system. The initiative and contributions of the best enterprises and work teams should also be recognized.

2. The basic principles of enterprise khozraschet are to be modified in accordance with the measures set forth in the various sections of this document (these concern, in particular: the regulations for enterprise

capital formation and the redistribution of financial resources among the individual enterprises; the plan specifications and changes thereto in the enterprise-economic area on the basis of established objectives; the conditions governing the development of a sound standards base; rules for the budgeting and methods of cost accounting and worker compensation according to achieved khozraschet results). The particular system of khozraschet management within each VHJ is established by the VHJ general manager within the framework of these regulations.

3. The khozraschet principles and measures, applied at the enterprise level, are to be expanded also to intraenterprise activities. Khozraschet management within the enterprise is to be oriented toward systematically improving the setting of standards, carrying the actual plans through to the management centers; ascertaining the responsibility for accruing costs; the periodic evaluation of achieved results in comparison with the budget; and establishing monetary incentives based on these results. Central management accounting, costing and budgetary procedures, as well as the full use of operating standards for past labor input and value added are to be consistently applied.

To contribute to the development of khozraschet, the prerequisites for and a more effective system of economic tools operating through incentives and economic pressures, particularly in the areas of finance and credit, wages and prices are to be created.

B. Improving the Financial and Credit System

To increase the dynamic effect of finance and credit on the VHJ and enterprise khozraschet development, the Federal Ministry of Finance and the Czechoslovak State Bank, in cooperation with the central agencies concerned, are enjoined to apply the following basic principles within the finance and credit system:

--Effective incentives and economic pressures toward fulfilling the plan and achieving positive results in financial management are to be developed;

--VHJ requirements are to be financed, to a decisive degree, out of their own internal financial resources and from bank credits, and only in exceptional instances from state budget subsidies. In this regard, a study should be made of the state budget tax levels, with particular emphasis on the profits tax and the possibility of a greater degree of tax differentiation;

--All the consequences (negative as well as positive) of VHJ activity in all areas, including long-term asset replacement, technical development, and foreign trade are to be fully reflected in the economic incentive system and financing of requirements in order to insure that differences between well and poorly managed organizations, which will thus arise, act

as incentive for the well managed units as well as for units with poor performance to implement effective measures with the objective of eliminating shortcomings and achieving a turnaround in their economic performance; the necessary principles and rules to determine the extent of incidence are also to be provided.

These fundamental principles are to be implemented as follows:

1. In the System of Financial Management, Financing and Credit:

a) Establish that the coverage of planned VHJ requirements will depend primarily on profits and capital depreciation, with an additional source being the use of credit in the areas of operations and investment which, however, will not automatically make up for a lack of internal resources. Subsidies from the state budget will be used according to special rules approved by the CSSR Government; first, to achieve a planned effect in the value relations in the national economy (noninvestment subsidies) and second as a planned source of financing (investment subsidies); in exceptional cases, as defined by the CSSR government resolution;

b) In connection with the change in the VHJ status as the basic link of management in the enterprise-management sphere, the financial relations in the VHJ's (without regard to their legal form) are to be adjusted accordingly. The effectiveness of khozraschet under the new conditions is to be insured, and within the framework of khozraschet, also that of the financial management systems of individual VHJ organizations. During the transition period of developing centrally managed VHJ's, a temporary adjustment is to be allowed, particularly for arranging the financial relations between the VHJ and the enterprises and between enterprises and the federal budget, etc.; according to the extent of centralization of decisionmaking in a given VHJ;

c) Above all, the role of profit is to be increased, including increasing its share and volume in resources for financing, so as to strengthen the khozraschet system of financing requirements and wage incentives;

d) With the objective of increasing VHJ (and enterprise) responsibility for their economic performance, a modification in profit distribution priorities within VHJ's (and enterprises) is to be accomplished so that after the payment of levies and taxes to the state budget (by VHJ enterprises, after VHJ payments have been made), allocations are to be made first of all to the VHJ and enterprise funds that provide for the financing of projected requirements and, only thereafter for the VHJ and enterprise incentive funds;

e) As an additional substantial source of financing VHJ requirements, a percentage of depreciation is to be allocated which is to remain at the disposal of the VHJ;

1) Redistribution of financial resources among the VML's at the level of central branch authorities will in principle be carried out only for long-term asset write-offs; profit redistribution among VML is to be authorized only in very exceptional circumstances;

g) The redistribution of financial resources within the VML is to be insured in a form that will completely support the effectiveness of the enterprise management; in case of profits it is to be done strictly in the form of levies on profits established differentially for individual enterprises according to principles established by legal provisions. In case of enterprise levies on profit paid to the VML, for example, it is to be established that this levy is set by the VML at differentiated percentage rates and for extended periods of time with the proviso that when they have exceeded the planned profit, the enterprises will be able to retain a uniform percentage for financing their requirement as a resource that is transferable between the individual years. In VML's where the levies to the federal budget will temporarily be made directly by the enterprises, the redistribution within the VML is to be conducted as at present.

2. In the System of Payments to the State Budget:

a) Beginning in 1981, the current system of levies on profits going to the state budget is to be modified to increase the share of internal financial resources of the industrial organizations used to finance their own requirements. The payment adjustments are to be carried out in 1981 and 1982 on the basis of balancing the resources against the requirements in the five-year plan differentially (based on the type of production) either by granting reductions on profit taxes or through a combination of such reductions and a lowering of the [effective] rate governing the profit tax, or a reduction in the total amount.

It is to be established that the basic types of levies paid to the state budget are to be made for the VML as a unit, with the exception of VML's where the levies will be made directly by the enterprises on the basis of an exception granted by the appropriate ministry of finance at the request of the appropriate central branch agency; these exceptions will be granted (only) in cases when, during the transition period, managerial activity has not yet been completely integrated at the VML level. Levies to the state budget directly from the enterprises in VML's managed by the central agencies of the republics, with enterprises located on the territories of both republics, must also be treated as an exemption.

To increase the effects property taxes exert on more efficient utilization of machinery assets, regulations are to be introduced to increase or decrease the property taxes on such assets by as much as 30 percent, depending on the capital equipment utilization efficiency indicators;

b) Beginning in 1983, the above profit tax rate modifications are to be incorporated as amendments to the tax laws. In drafting these laws,

existing administrative tasks and responsibilities of the VNI are to be evaluated, with the possibility in mind of increasing the economic effectiveness of the individual types of taxes; the possibility of a more objective assessment of production factors in the interest of encouraging the replacement of labor by capital is to be explored. In profit taxes paid by the VNI as a whole, the liability of a minimum (guaranteed) profit tax at the VNI level is to be established and recommendations developed for simplifying the system of taxes to the state budget. To increase the economic pressure for elimination of worn-out capital assets, introduction of a supplemental levy to the state budget is to be considered.

V. In the Budgetary Fund System:

a) At the VNI level and in enterprises directly controlled by the central agencies, a comprehensive system of budgetary funds, including economic incentive funds, is to be designed. In the VNI enterprises, budgetary funds based on the degree of centralization of management within the VNI are to be developed; in all enterprises, cultural and social services funds and, in most cases, a revolving fund are to be maintained;

b) The economic effectiveness of all special purpose funds related to VNI and enterprise management is to be increased. Basically, according to existing VNI arrangements, the following funds are to be established:

--A capital investment fund for financing important VNI projects (mandatory and centralized construction);

--A revolving fund to be used as working capital (only in the case of centrally controlled working capital at the VNI level).

The function of the remaining VNI special purpose funds is to be made more effective according to the following principles:

--VNI contingency funds are to be established as an important monetary reserve for covering any fluctuations in the financial management of the VNI as a unit. This fund is to be formed by an allocation from VNI profit, by a transfer from the excess of profit distribution and by an allocation from the export incentive fund for making contributions to the monetary incentive funds; for example, to cover shortages resulting from profit distribution (as, for example, those resulting from nonfulfillment of the planned profit, exceeding the use of the profits or, possibly, wholesale price adjustments, additional expenses incurred by innovations, etc.). The sectoral contingency funds may be used for granting limited, temporary financial aid for subordinate enterprises for the operations and investment areas. A limit on the maximum balance of the reserve fund is to be set. Organizations subordinate to a VNI should not expect to [be authorized to] form a contingency fund;

--A VHJ technical development fund is to be established as the basic source for financing sectoral tasks and enterprise tasks where an enterprise technical development fund is not to be established; this fund is to be replenished primarily from contributions by subordinate enterprises at their cost (according to a long-term standard or an absolute figure tied to the five-year plan of scientific and technological development); income from this fund obtained for results of solving tasks financed from it may also be used to pay for innovation expenses at the stage of their implementation. A maximum limit to be retained in the sectoral technical development fund is to be set. Amounts exceeding this limit are to be used at the end of each year according to a predetermined manner. The reserve for financing technological development costs is to be discontinued.

4. In Economic Incentive Funds:

a) Their motivational effects on production efficiency and quality in relation to the five-year plan objectives are to be reinforced. These funds are to be developed from an allocation from profits and based on the fulfillment of qualifying indicators and, in some instances, on other sources; the amount of the allocation is to be determined on the basis of meeting these indicators as determined by the expanding aggregates effective in 1981. In specific cases, the size of the allocation is to be dependent on the degree of fulfillment of qualifying indicators; the profits used to calculate the indicators that determine allocations to the incentive fund are to be reduced by an amount reflecting losses due to low quality products. In cases where the VHJ sets up funds in the subordinate enterprises, it will also establish qualifying indicators tied to the enterprise activity and the fund contributions are then made according to their compliance [with the indicators]. Part of the contribution to the enterprise fund may be tied by the VHJ to the condition of compliance with qualifying indicators for the VHJ funds as a whole;

b) In cultural and social services funds (FKSP):

--A new maximum limit of the overall FKSP allotment is to be set at 2.8 percent of the annual amount of wages payable; the basic allocation is to remain constant at the current level, i.e., at 0.8 percent of the annual amount of wage payable;

--The following are to be established as qualifying indicators for supplementary allocations: profit (in some cases, a share of the total costs of the adjusted output), labor productivity measured by the value added and task accomplishment in the structure of deliveries; for meeting each one of these indicators, an allocation of 0.4 percent of the annual wages payable is established; a supplementary allocation to the FKSP of a VHJ may also be increased from additional sources such as the export incentive fund, by an amount dependent on the price advantages gained from technically advanced, latest style, top quality products, and by an

allocation based on the fulfillment of indicators governing the use of fixed assets in accordance with principles established by the CSSR government; the allocation under each of the above conditions may reach a maximum of 0.4 percent of the annual VIL wages payable. The FKSP allocation is to be reduced by a portion of (the amount of) any penalty for obsolescence and low product quality; the reduction is not to exceed 0.4 percent of the annual VIL wages payable however;

--At the VIL level, the FKSP is to be set at the level of the supplementary contribution dependent on compliance with appropriate indicators established for the VIL as a whole. At the enterprise level, the FKSP is to be set at the level of the basic contribution plus the supplementary contribution in accordance with the conditions established by the VIL, basically as follows: the enterprise sets the supplementary contribution at the level of a contribution for 3 qualifying indicators established for the enterprise from those designated for the VIL even in those cases when the enterprise is in compliance while the VIL as a whole is not. Other possible contributions to the enterprise FKSP according to other qualifying indicators are then tied to the compliance by the VIL as a whole;

--The legal regulations on the use of the FKSP are to be simplified, and VIL and enterprise legal authority expanded;

c) For the development funds:

--A VIL development fund is to be created as a financial source for the funding of the so-called fixed-limit investments, the volume of which is governed by the resources of this fund; a binding dependency between this fund and VIL profits is to be established so that it serves to generate an interest in creating profits and [increasing] investment efficiency;

--For the formation of this fund, a norm for the depreciation of fixed assets, depending on the actual wear and tear (usually no more than 40 percent of the monetary requirements to finance fixed-limit investments) and a standard contribution from profit (at least 30 percent of the monetary requirements to finance the fixed-limit investments) are to be established; in setting the standards of the share from depreciation and for contributions from profit, amounts necessary to meet bank credit payments must be taken into consideration;

--One half of the contributions to the development fund from the profits is to be dependent on fulfilling the [indicator for] return on production assets (i.e., machinery and equipment profitability), and the other half on meeting the planned delivery patterns (or trends in deliveries);

--It is to be established that the development fund is also to receive above-standard allocations related to the price advantages for technically advanced, late model, quality products as well as to the export

incentive fund, and to reductions in inventories as reflected by a [faster] inventory turnover; the total amount of the contribution from these other sources, with the exception of the contribution from the reduced revolving fund, may come, however, to no more than 25 percent of the overall planned contribution from profit according to the standards established for the development fund;

--The development fund is to be reduced by a portion of the amount of any penalty for absenteeism and low product quality;

--The development fund assets are to be used in accordance with the VNU (enterprise) plan and, within the framework of the five-year plan, an acceleration of asset accumulation in the development fund is to serve as a reserve for future construction during the five-year plan;

d) The special compensations fund is to be developed and used according to the principles established for regulating the wages payable;

e) The export incentive fund is to be developed and used to stimulate more effective exports according to the principles established to encourage foreign trade.

5. For Ministry Funds of the Central Branch Agencies:

a) Ministry technological development funds, ministry reserve funds, ministry capital investment funds and possibly other special purpose funds are to be established and used according to existing legal procedures;

b) A ministry contingency fund is to be designated for consolidating unused profits over the plan for transfer of amounts exceeding the authorized maximum of VNU contingency funds;

c) Maximum limits are to be set for ministry technological development and for the ministry contingency funds. Amounts exceeding the limit are to be used in the prescribed manner.

6. In the Area of Bank Credit:

a) Credit categories are to be established in accordance with the planning and financing changes; qualitative criteria for granting credits, tied to currency plan criteria and long-term standards are to be established;

b) Differentiated credit rating procedures for organizations are to be used, taking into consideration the expanded role of internal resources, performance since the start of the five-year plan, and the fulfillment of efficiency criteria; at the same time it is to be assured that credits are used primarily for carrying out specifically established state plan

defectives and for supporting the development of the more progressive VML's so that stagnating or lagging VML do not use credit to automatically make up for insufficient internal asset formation;

c) VML falling behind are to be granted consolidation loans outside the usual credit system under particularly strict conditions (consolidation program), insuring the elimination of negative tendencies of VML management, and with direct ministry participation in implementing the consolidation program;

d) In general, credit relations are to be organized between the bank and the VML, taking into consideration the degree of centralization of authority at the VML as established by its statutes and the rationality of the credit relations;

e) In connection with the changed economic role of credit, the role of interest is also to be increased. The effectiveness of interest penalties and incentives is to be reinforced by tying them more closely to personal and collective incentives. The payment of a portion of the interest penalties to the compensation fund is to continue as at present, and a review of the influence of interest penalties and incentives on the formation of internal capital funds earmarked for financing VML operations and investment needs (together with the changes in levies to the state budget beginning in 1983) is to be made.

7. In the Area of Financing the Reproduction of Fixed Assets:

a) Investments are to be financed, in principle, from internal VML assets and from bank credits through two funds, the capital investment fund and the development fund.

In the event of shortfalls in the planned internal capital formation, as required by the five-year plan, the annual implementation plan will include investments only to the extent to which the organization earned the financial assets to pay for them as compared with the five-year plan;

b) Centralized construction projects (all capital construction projects except fixed-limit investments), including repayments of credits for these investments and of credits granted before the period of validity of these measures, are to be financed from the capital investment funds. The sources for these investments are VML profits and depreciation, bank credits, subsidies from the principal central agencies and, as an exception, subsidies from the state budget, subject to CSSR government approval, and other sources (contributions from other investors, receipts from the sales of liquidated fixed assets, etc.). Financial requirements deriving from shortcomings in obtaining investments financed from the capital investment fund (not meeting construction deadlines, exceeding budgeted costs) are to be covered fully or partially from the development fund.

The planned and designed technical-economic parameters are to be the basic criterion for investment financing from the capital investment funds. Therefore, neither credits nor subsidies may be used to finance investment projects which do not meet these requirements. Increases in budgeted costs are to be covered from internal assets of the investor or by bank credit at punitive [higher] interest rates;

c) Subsidies from the federal budget will be granted only in exceptional cases for construction financed from a capital investment fund, and only after their approval by the CSSR government, chiefly in cases where it is not possible to provide for long-term financing of planned investments from in-house resources. The provisions for making grants should be based strictly on the established criteria of investment efficiency, observance of planned parameters and the fulfillment of other indicators. In case of a failure to adhere to budgeted costs, deadlines, or techno-economic parameters, where grants have been obtained for the construction, the consequences are to be paid for from the investor's capital and, in part, from the development fund;

d) The development fund is to be used to finance fixed-limit investments [i.e., basically, construction costing less than Kcs 2 million and machinery not included in the construction budget] and the repayment of bank loans for fixed-limit investments. This fund is to be used primarily for improvement and modernization investments. The source for financing fixed-limit investments is a standard share of profits and capital depreciation determined by the degree of wear of fixed assets together with bank loans and, in certain instances, other sources (e.g., contributions by other investors, etc.). Central branch agencies will insure that the limits of such projects, as established in the state plan, are not exceeded during the period of plan implementation;

e) Investment financing from the development fund is not to be permitted in cases where internal financial assets are available but meeting the established investment efficiency criteria has not been assured in advance. The investment efficiency criteria for the subordinate VHI fixed-limited investments are established by the appropriate central branch agency in accordance with instructions issued by the Federal Ministry for Investment and Technological Development in cooperation with the State Planning Commission, the Federal Ministry of Finance and the State Bank of Czechoslovakia. These criteria include mainly: the degree of increase in return on machinery and equipment, an increase in shift work, the share of gradual improvements, modernization of complete assembly lines and elimination of obsolete machinery and equipment;

f) Deliveries for capital construction are to be billed by the building and operation units. A mandatory performance bond is to be posted and is to be refunded only after the elimination of all incomplete and faulty work; the costs for the elimination of incomplete and faulty work is to be charged as a penalty for poor performance according to applicable

statutes. The supplier's operational requirements during the construction of buildings and operation units are to be covered by monthly payments. The conditions for making monthly payments for whole units and quality-inspected work are to be tightened. When the government-established deadlines have not been met, the investor will cease payments and the operational needs of the construction work and technology suppliers will have to be covered by credit at a higher rate of interest;

g) The Federal Ministry for Investment and Technological Development, the State Planning Commission, the Federal Ministry of Finance, the Federal Statistical Office, the Czechoslovak State Bank, and the supplier ministries are enjoined to deal rapidly with the necessary methodological and organizational requirements for planning, accounting, detailed reporting, evaluation, and incentive as projects are completed, in such a way that it becomes possible to try out the system during the next few years and implement it during the Seventh Five-Year Plan;

h) To increase the effectiveness of the investment efficiency and the incentive and penalty system, the following are instructed:

aa) The Federal Ministry for Investment and Technological Development, the State Planning Commission, the Federal Ministry of Finance and the Federal Ministry of Labor and Social Affairs, in cooperation with other central agencies:

--To implement the monetary incentive system in the investor, design and supplier organizations as follows:

--in construction specifically included in the state plan, it is to aim at deadlines for developing background data and at deadlines for project completions and putting the facilities into operation, including intermediate deadlines, and at volume of work and deliveries;

--in all construction, at not exceeding (but rather reducing) the budgeted costs;

--at observing the technical-economic parameters of the investments, including price limits on production from new investments which was used as a basis for approving the investment;

--at keeping schedules for scrapping [obsolete] capital assets.

--To make it possible for supplier organizations to increase the amount (volume) of wages payable when they better the planned indicator levels of fulfillment of construction work and deliveries according to deadlines set for projects specifically designated by the state plan.

--To make it possible to use as a source for financial incentives a part of the reserves saved in the construction budgets when the budget

expenses were not exceeded, deadlines for construction were shortened, quality of work and deliveries were adhered to, or technical-economic indicators and price limits on products from new investments were adhered to or bested.

--Investors are authorized to negotiate special awards from their operating capital for any reduction in standard construction time limits which had been trimmed by 10 percent with contractors who stay within the construction schedule specified in the state plan while fulfilling their contractual obligations on the other construction. For projects established as priority construction, special project completion and wage supplements may be granted. For a more marked encouragement of due date compliance in capital construction, alternative solutions are to be developed as follows:

--for early opening of facilities for operations and reduction of the standard construction deadlines by a minimum of 10 percent, the contractors for centralized construction projects may be granted 50 percent of the expected investor profit for the period by which the completion time was reduced;

--for any violations of the deadlines, the contractors are to be penalized and, at the same time, action is to be taken against investors and designers for design and territorial preparation laxity;

--price surcharges on modernization and reconstruction projects are to be examined to insure that they reflect only realistic cost overruns related to the project implementation by the contractors.

--in the interest of increasing the effectiveness of budgeted constructions and budgetary tools, a system of technical-economic indicators in the production and nonproduction spheres is to be established and given the character of fixed-limit budgetary expenditures, and its supplementation and currency is to be insured; for this purpose a binding program is to be developed;

bh) The Federal Ministry of Finance and the Czechoslovak State Bank, in cooperation with other central agencies, are to:

--Introduce penalties for organizations in which imported machinery and equipment are not assembled (installed) on time;

--To support the priority of capital asset construction and modernization projects, with respect to new construction, financing is to continue being provided to the predetermined extent from operating capital under the heading of repairs, modernization and reconstruction carried out together with repairs;

--The justification for financing repairs on long-term assets from the repair fund, formed at the cost of expenditures on the basis of the long-term standard, is to be carefully weighed and the formation of this fund made possible on the basis of central branch agencies proposals.

1) To increase the effectiveness of investment credit, the Czechoslovak State Bank is enjoined to take the following measures:

--Investment credit will be granted according to the principle of recoverability from internal assets and dependent on the return from credit investments. The credit policy is to be differentiated according to the criteria of effective use and expected repayment of credits, with a priority given to insuring the completion of priority tasks of the state plan, to supporting the development of progressive sectors (especially the export efficiency of export oriented VNH), and to supporting a progressive concept of capital investment, especially with respect to the share of modernization investment projects and investments in machinery in the total investment volume. The credit and interest rate differentiation is to be aimed at enforcing the schedules and specifications established by the state plan. The compensation (credit repayment, full or partial) for the consequences of failing to adhere to construction schedules, budgeted costs and the design parameters of the investment projects for which credit was granted (of projects financed from the capital investment fund) is to be made, either in full or in part, from the development funds (repayment of the loan or a portion of it);

--An overall credit structure is to be established for investment credits for the five-year plan period. During the individual years, this framework is to be adjusted in a differentiated form according to the results achieved by the VNH from the start of the five-year plan in its overall management and resource formation efficiency and its growth in labor productivity and utilization of long-term assets, on the principle of providing credit support for progressive VNH's. Credit priority is to be given, within the scope of the credit, for modernization and fast return on investments with easier interest rates.

--Credits from the koruna and foreign currency reserves of the monetary plan are to be provided primarily for accelerating the development of highly efficient export production while fulfilling the established and particularly demanding criteria to ensure a rapid return of koruna and foreign exchange assets. The foreign exchange backflow credit is to be used to the maximum extent for machinery and equipment imports.

8. In the Area of Financing Technological Development

The Federal Ministry of Finance, in cooperation with other central agencies, is enjoined to insure that the financing function exert stronger pressures on the effectiveness of technological development by implementing the following basic measures:

a) The basic sources for financing technological development tasks are to be the branch and VUZ technological development funds along with the planned use of state budget resources for the financing of state projects. Funding to finance the technological development tasks may also be released on the basis of a statement by the contractor that the plan objectives for a scientific and technological development are technically and economically feasible and, in the cases specified, will be integrated into their own financial plans; or, else [the funds may be released] on the basis of a preliminary cost and expenditure projections and commercial agreements between planners and implementors, insofar as they are being accomplished within the framework of supplier-consumer relations. [Provisions for the] broader application of the share financing of state objectives financed from the state budget from the financial resources of the enterprise sphere are to be prepared;

b) Efficiency indicators for technological developments, which will be used in some cases as qualifying indicators for allocations to the economic incentive funds and for rewarding supervisory personnel responsible for technological development results and, in some cases, for adjusting the amount of allocations to the technological development funds, are to be established. The shares from profits allocated to cultural and social services funds and to the development funds of industrial organizations in the scientific research base are also to be dependent on the indicators of technological development efficiency;

c) Schedules of technical-economic product useful life, as an objective factor for closing down obsolete plants, are to be set up; these schedules are to be either shortened or lengthened on the basis of results of the individual evaluation of the technological level as compared to similar foreign products and considering the views of the user;

d) To reinforce the VUZ monetary incentives, the use of economizing is to be developed in the formation and use of technological development funds to reduce the technological development fund formation in the future periods, for financing investments by transfers to the development fund, for implementing investments arising in the course of working out the objectives of the technological development funds or transfers to the reserve fund;

e) Cultural and educational support organizations of the scientific research base are to be transferred to industrial organizations in all justifiable cases.

9. In the Area of Financing Working Capital, the following is established:

a) Working capital is to be financed differentially, according to its classification, from the revolving fund, standing liabilities, operational credits, and other sources. Standing liabilities are to be included more intensively in inventory financing at as early a stage as

at the formulation of the financial plan. Changes in inventory are to be regulated (planned and controlled) by an indicator of inventory turnover measured in days. The volume of regulated inventories is to be strictly defined;

b) The inventory turnover in terms of days is to be used as a binding indicator for regulating the inventories. The binding indicator of inventory turnover in days is to be the qualifying indicator for rewarding supervisory personnel responsible for inventory development;

c) The internal revolving fund is to be used for inventory financing on the basis of the fund participation rate in the inventories. This is also to regulate the financing participation rate from internal assets relative to bank credit;

d) Under certain conditions, a reduction in the revolving fund, arising from a long-term reduction in inventory levels, may be transferred to the development fund. If the inventory turnover days increase against the plan then, at the bank's request, a sum, corresponding to the requirement for the increase in the revolving fund, must be transferred from the development fund to the revolving fund. Fifty percent of the losses due to the physical liquidation of unnecessary inventories may be covered from the reserve fund;

e) Credit use efficiency criteria will be used for granting operating credits and for applying credit and interest differentiation. The criterion expressing the dynamics of export efficiency will subordinate all other efficiency criteria when evaluating a VHJ. Meeting the credit use efficiency criteria is decisive in determining the amount and type of credit to be provided for progressive, for stagnating and for failing VHJ.

10. In the Area of Financial Control

The Federal Ministry of Finance, in cooperation with the finance ministries of the republics, is enjoined to increase its effectiveness in implementing the following measures:

a) The organization of the financial report preparation as well as the aims, methods, and forms of financial controls used by the finance administrations and financial departments of the national committees are to be adapted to the type of management tools and to the difficulty of meeting the nation's economic objectives during the Seventh Five-Year Plan but especially to the fact that the VHJ is the basic management link in the enterprise-economic sphere;

b) Financial controls within the jurisdiction of the finance ministries are to be aimed primarily at:

--Consistent insurance of administration and control of the state incomes, maintenance of economic and financial discipline, and routine controls of the fulfillment of the most important qualitative plan indicators which effect the relations to the state budget;

--The enforcement of economic policy intentions, objectives and tasks in the area of finance while intensifying economic controls aimed primarily at the standards of management, efficiency, cost consciousness, and financing of the entire reproduction process;

--Systematic follow-up on and evaluation of the operation and effectiveness of the system of planned management of the national economy, particularly in the area of financial-economic tools;

--An uncompromising drawing of conclusions for violations of economic and financial discipline and implementation of effective measures to eliminate uncovered shortcomings and prevent their recurrence, as well as maintaining consistent control over their implementation.

11. In the Area of Bank Controls

Their effectiveness in the everyday contact with the organizations is to be increased and aimed at the effectiveness of the entire reproduction process. To this end, the Czechoslovak State Bank is enjoined:

a) To reinforce the controlling activity of the bank by increasing the role of credit while taking advantage of all banking functions in the economy, particularly of financial, credit, and accounting relations to accord with the expansion of the enterprise financial base and the development of khozraschet [cost accounting] principles in the full VHIJ and enterprise management system;

b) In the period of developing the plan proposals, the bank controls are to aim at insuring detailing of state plan objectives into organization economic plans, including the resources to finance them. The bank controls are to be based on the higher medium-term plan objectives and, again, to a greater extent oriented to the VHIJ as the basic link in the management chain;

c) In the area of wages, bank controls are to be aimed at adhering to the binding constraints on wages payable, particularly indicators used to delimit the amount of the basic and incentive elements, including consequences for low quality production;

d) The fulfillment of the social-control functions of the bank in the area of capital investment is to be based on all phases of fixed asset replacement. In accordance with the intents already being implemented, that means further intensification and emphasis on the social-control function at the stage of preparing new investments and at the point of

completion of the construction projects while maintaining the existing proven forms of economic controls during the course of construction;

e) While controlling the standards of inventory management, the bank is to increase the pressure to insure fulfillment of the binding tasks of the financial plans, a greater emphasis is to be placed on tying inventory credits to control of selected type of inventories which are of key importance in efficient inventory management;

f) As a part of its responsibility for implementing foreign currency monopoly, and in the role of an agency of social-control in the trade sphere of the foreign currency management, the bank will intensify the effectiveness of the foreign currency oversight intended for increasing foreign currency discipline, the achievement of optimum payment conditions in the operation of foreign economic relations, promptness in collecting foreign currency receivables, activation of any reserves and their mobilization in favor of the state's central foreign currency fund. The bank will exercise more intensive controls to insure prompt introduction of imported machinery and equipment into operations, insuring construction preparedness and related technological conditions and assembly work, and greater economy in the import of machine components and spare parts.

C. Economic Tools in the Area of Foreign Relations

are to be aimed at supporting the improvements in export and import efficiency, for the development of the overall international division of labor and, particularly, for specialization and cooperation. For this purpose the State Planning Commission, the Federal Ministry of Finance, the Federal Price Office, the Czechoslovak State Bank, the Federal Ministry of Foreign Trade and other central agencies are enjoined to implement these measures in their individual sectors:

1. Increasing Effectiveness of the Exchange Policy

The exchange policy must be implemented in such way as to contribute more expressly to the more effective development of foreign relations.

2. Strengthening Relations Between Domestic and Foreign Prices in the Export Sector

--The current system linking production and foreign trade by means of purchase prices (the foreign price, fco [freight prepaid]) to the Czechoslovak border, converted to Kcs and adjusted by the amount of commercial markup of the foreign trade organization is to be retained for evaluating export efficiency; fco prices are to be adjusted by the amount of interest on long-term credits, i.e., essentially to the price level corresponding to spot payments;

--Export efficiency criteria, i.e., foreign prices and technological and qualitative parameters of competing top quality products, are to be used in evaluating the quality and technological level or, conversely, the obsolescence of products which already are, or may become objects of foreign trade. The results of these evaluations are to be incorporated into the positive and negative wholesale price adjustments. The same export efficiency criteria are to be used in setting wholesale price limits, in setting of prices for new products and products from recently completed investment projects, as well as in arriving at decisions on wholesale price changes;

--During 1980, the price incentive system is to be verified at selected VUT (sectors) according to the achieved standards of export efficiency as determined by fob prices (charges prepaid) to Czechoslovak border;

--The direct participation of industrial organizations in negotiations of foreign price adjustments, especially in cases of high technology products, and the participation of foreign trade consumer organizations in the wholesale pricing of new products intended primarily for export, are to be expanded. For the purpose of making use of foreign-price criteria in setting the domestic prices, providing the requisite data concerning attained prices, price and payment conditions in foreign markets, and development of forecasts of [anticipated] changes in foreign import and export prices is to be insured.

3. Strengthening Relations Between Domestic and Foreign Import Prices

In the current system of appraising imports on the basis of purchase prices, measures leading to fundamentally greater economy in the processing of imported raw and processed materials are to be implemented.

Longer-term trends in the development of foreign price relations are to be incorporated into the domestic wholesale prices, especially through the plan for price developments.

4. Financial and Economic Instruments in the Foreign Trade Area

The system of financial and economic tools is to be designed to tie in with the system of export and import price planning and taking into consideration the necessity of assuring an increase in actual exports coupled with the desired improvement in their effectiveness. The motivating function is, therefore, to be aimed at increasing exports at foreign prices, freight prepaid to the Czechoslovak border, achieved both through faster increase in foreign prices (expressed by a rise in comparative price indicators), and by increasing the overall volume of exports expressed in wholesale prices.

A foreign trade incentive plan is to be established according to the degree of efficiency as measured by the level of the comparative price

indicator (the ratio of the freight prepaid price at the Czechoslovak border to the wholesale price), and according to the intent of regulating the export structure with a pronounced preference for exporting products manufactured primarily from domestic raw materials and finished products with a large share of domestic labor input, those with a high share of exports relative to their production volume or, alternatively, in the machine tool industry, according to the increases in per kilogram prices. When setting the size of the incentives, the improvements in efficiency as well as, to a useful extent, the results of foreign exchange costing or other criteria are to be considered. At the same time, the minimum level of the comparative price indicator at which the export incentives still may be paid, is to be set. This minimum level will gradually go up with the increases in foreign market prices.

The VHL will be entitled to the full amount of the incentive when it insures the fulfillment of planned objectives both in wholesale prices and in the increase of the comparative price indicator.

The basic incentive level is to increase progressively, as long as the VHL accepts a higher annual plan objective than established by the five-year plan and fulfills this higher target. The incentives will be smaller in cases where exceeding the annual plan in comparison with the five-year plan was not anticipated.

If the VHL does not meet the annual objectives set by the five-year plan (whether in terms of wholesale prices or in the increase of the comparative price indicator), the basic incentive will, on the contrary, be progressively reduced, with the size of cuts determined by any achieved increases in exports and efficiency; it will be completely eliminated in cases of gross underfulfillment.

Incentive funds will be a source of the fund for export incentives which will have a direct effect on the special compensation funds, cultural and social services and development funds and the reserve fund.

In the interest of increasing the incentives for meeting the overall five-year plan objectives, part of the incentive is to be tied to the fulfillment of the entire five-year plan. For not meeting the annual export plan, the overall incentive is to be reduced by an amount corresponding to the size of the shortfall. When the shortfalls are considerable, an additional penalty is to be imposed in that the VHL will be unable to use the export incentive funds to supplement the [regular] incentive fund. The entire missed incentive allocation may be returned to the VHL in later years, provided that the shortfalls from the previous periods are made up.

An export incentive fund is to be established at the level of the VHL which will use this tool to encourage export plan fulfillments in the individual enterprises; in the details of the export plan objectives,

the VHI will provide for grants to the enterprise incentive funds dependent on the difficulty of the tasks and the achieved dynamism and efficiency of the exports according to the principles established by the central agencies for the VHI. The use of the export incentive fund is to be adjusted so as to allow grants in excess of the standard incentive funds (for special compensation funds and the fund of cultural and social services), contingency fund (especially for covering losses and risks in foreign exchange) and the development fund; the export incentive fund is not to be used as a source for capital formation.

In cases where subdeliveries contribute a significant share to the final export goods, the VHI negotiates with its subcontractors (VHI) an agreement on transferring [to them] a corresponding amount of export incentives. In these cases, the VHI subcontractors form an export incentive fund in the same way as the final goods supplier, and its use will be governed by the same rules.

In addition to the established system of penalties for low quality production, other measures are to be developed [to penalize] for losses due to low quality production arising in deliveries for export in which these losses:

- Will cause the industrial organization a reduction in export deliveries in wholesale prices and fco prices at Czechoslovak border in terms of marketing;

- Fall completely within the financial management of the industrial organizations and their relation to the state budget will not be adjusted by that amount (reductions in levies and increases in grants);

- Will not be reflected in financial plan proposals for the planning year;

- Will be covered to a greater extent than heretofore from the export incentive fund.

5. Foreign Exchange Incentives in the Area of Exports and Imports for VHI and OZO [foreign trade organizations]

will be expanded on the basis of the demonstrated level of efficiency in foreign currency transactions.

6. Economic Incentives for Foreign Trade Organizations and Financing Activities of the Foreign Trade Organizations

a) In the Area of Economic Incentives

The mutual participation of VHI and OZO in the export results is to be eliminated and independent incentives for foreign trade organizations

introduced. The foreign trade organization incentives, just as those for VIIJ, are to aim at increasing export dynamism as measured in fco prices, which is to be achieved both through an increase in foreign prices as well as an increase in the overall volume of exports:

--In establishing the incentive levels, the same principles will be followed by OZO as by VIIJ, considering, however, the specificity given by the distinct character of the foreign trade organizations' activities;

--The source for foreign trade organization incentives will be the savings on direct export costs (or, possibly, profits from price differences in the export trade). Should this export profit be insufficient to cover the entitlements for foreign trade organization incentives, an agreement may be reached with the Federal Ministry of Finance and the Federal Ministry of Foreign Trade to use the same source arising from imports;

--A special export incentive fund which will not be a part of the binding profit indicator in foreign trade organizations and which will not be subject to profit taxes is to be created. The export incentive fund will be the source, to be used according to the directives of the foreign trade organization general manager, for transfers to the special compensation fund and for higher than standard allocations to the cultural and social services fund as well as capital formation and trade-loss compensation funds or, with the approval of the Czechoslovak Commercial Bank, for a higher than plan allocation into the revolving fund;

--Unused resources of the export incentive funds may be transferred to other years if, in the judgment of the foreign trade organizations and after discussions with the Federal Ministry of Foreign Trade, it is determined to be the most effective use for those funds;

--The general manager may use the resources of this fund to encourage export plan fulfillment within the framework of enterprise and personal monetary incentives depending on the difficulty of the tasks, the dynamics achieved and export efficiency in accordance with the principles established by the Federal Ministry of Foreign Trade concerning the foreign trade organizations;

--Foreign trade organizations exporting complete plants (when the general rules are not applicable for the foreign trade organization economic incentives) are to receive the incentives on an individual basis, according to specific conditions, similar to the VIIJ deliveries of complete plants for export.

b) In the Area of Financing

--In the restructuring of commercial surcharges and discounts by the foreign trade organization effective 1 January 1981:

--the principles of the comprehensive restructuring of wholesale prices of 1 January 1977 are applicable;

--a useful generalization of the commercial surcharges and discounts is to be developed;

--the profitability among the foreign trade organizations is to be made more equitable while maintaining the existing level of commercial surcharges and discounts.

--Generally valid principles for financing foreign trade organizations are to be adjusted with regard to the specific conditions of foreign trade.

--The system of the trade-loss compensation funds is to be adjusted so that:

--the main source of this fund is the profit from savings achieved on direct foreign commercial costs and, possibly, profit from price differences and fund transfers from the special economic incentive funds;

--the size of the foreign trade organization risk funds will be limited;

--this fund will be used to cover risks involved in foreign trade, including exchange rate differences;

--exchange rate differences will be charged directly to the trade-loss compensation fund (assets or liabilities);

--the Federal Ministry of Foreign Trade will be empowered to make the redistributions;

--tax liabilities of the foreign trade organizations exceeding the limits of the trade-loss fund and, further, the amounts of the tax liabilities arising from profits obtained as savings on foreign direct trade costs and price differences will be used as allocations to the ministry trade-loss compensation fund.

D. Increasing Wage Policy Effectiveness

A fundamental reorientation of the motivational effect of wages must be achieved through the consistent enforcement of the merit principle in such a way that the social and economic standing of every worker is fully dependent on his contribution to society. Monetary incentives must be linked to financial accountability and penalties. Through a significant wage differentiation according to merit, we must assure the proportional development of wages and social productivity of labor. In order to insure that this happens, the Federal Ministry of Labor and

Social Affairs, the State Planning Commission and other central agencies are enjoined to implement the following measures:

1. In the Area of Regulating the Wage Developments

a) The basic component of the wages payable must be used to exert pressure toward effective management of human labor. The size (extent) of the labor force must constrain the VHJ either relatively (proportionately), according to adjusted value added content, or according to another indicator which better expresses labor intensity of the particular activity and the need for the task, or in terms of numbers of workers.

b) In the course of plan fulfillment, the share of the basic component of wages payable for the overfulfillment of adjusted value added or other indicators is to be significantly reduced (by an average of 50 percent). While absolutely delimiting basic components, direct relation between labor productivity and average wages is to be maintained by reducing the basic component in direct proportion to the nonfulfillment of adjusted value added or other indicators; the VHJ interest in absolute savings on labor is to be intensified in selected VHJ by minor cuts or, in some cases no cuts at all [in the wages payable].

c) Motivation to increase overall efficiency is to be achieved by tying the amount (size) of the incentive component to profitability levels of production assets (factors of production) established by the five-year plan and, to export efficiency of the VHJ which make a significant contribution to export. Other than a profitability or comparability indicator may be used if it better reflects the satisfaction of the needs of the society.

d) In accepting a higher level of profitability or another indicator as part of the annual plan, the size of the incentive element is to increase in direct proportion. For exceeding the planned levels of an indicator, the size of the incentive element is to increase at a declining rate.

e) The failure to achieve profitability levels or other plan indicators and in cases of underfulfillment, the size of the incentive element is to be reduced in three steps, specifically:

--in the first step (up to 3 percent), linearly;

--in the next two steps, progressively, so that the entitlement to the incentive component (averaging 20 percent of the wages payable) is forfeited when the indicator level declines by 15 percent (the reduction in the incentive component averages 8.1 percent for every 1 percent drop in the indicator level).

f) Economic accountability and penalties for inadequately satisfying the needs of society are to be applied as follows:

--Amounts representing losses caused by low quality production (activity) are to be deducted from the actual amount of the adjusted value added and profit, used to calculate profitability. Similar steps are taken when some other indicator is used;

--The possibility of increasing the amount (size) of the basic and incentive components of the wages payable, when plan targets are exceeded, is to be contingent upon maintaining the planned sales structure.

g) The implementation of the results of technological development, innovation activity, and increases in export efficiency are to be encouraged by modifications (increases and reductions [as appropriate]) in allocations to profit sharing funds depending on the technical levels and quality of products and services (including preferential treatment for fashion novelties and de-luxe products) and on the interest rate incentives and penalties and transfers from the export incentive funds. The maximum extent of the increase, including transfers, is to be limited to a specific percentage of the available wage fund resources established by the government.

h) The function of the special compensations fund is to be altered and it is to be reestablished as a special source which could be used within the framework of the five-year period as a bond between the results of the individual years. The volume (size) of this fund is, therefore, not to be established directly and in obligatory manner but formed from allocations from profits up to the amount of realized savings relative to the available amount of wages payable. Additional allocations into the fund may be made as stated in the preceding paragraph. The special compensations fund is to be used to defray shares in the economic performance and bonuses and awards for results specified in the above special purpose allocations.

i) The possibility of increasing the available amount (volume) of the wages payable in the course of plan fulfillment, regardless of achieved results, is to be eliminated to insure a positive incentive wage development. The claims on the wage fund arising from implementation of a program's wage policy measures, from exceptionally severe natural disasters and from campaign and seasonal work are to be defrayed from reserves established at the time of the plan preparation.

j) The measures against exceeding the planned growth rate of average wages are to be cancelled and the deviations from the planned rate which correspond to results achieved are to be recognized; the deadline for rescinding them will be established at a later date. It is to be insured that an increase in average wage due to increased labor productivity be clearly reflected in a differentiation of the wages of individual employees according to merit.

k) The system of socially regulated wage developments is to be applied according to uniform principles at the level of central branch agencies and down to the level of the VHIJ (or organizations under the control of VHIJ). The basic links of management [VHIJ's] establish rules, within their own jurisdiction, for subordinate organizations and subdivisions for the five-year period which will correspond to the principles and intentions of socially regulated wage developments.

2. In the Area of Special Compensations

a) There is to be a significant increase in the motivating effect of the incentive component of wages, with the objective of assuring a close dependence of earnings on the results achieved in the fulfillment of planned tasks and, thereby, a significant differentiation in wages.

b) Mandatory plan objectives, and the derived technical-economic indicators and norms which are used as the criteria of intrasectoral and intraenterprise planning and khozraschet [cost accounting], are to be established as the criteria (indicators, conditions) for awarding incentive components of wages (especially bonuses and special compensations). The critical objectives of increased efficiency and quality are to be given priority and an intensive stimulation, especially, the increased effectiveness of foreign currency transactions (increased per kilogram prices, the comparison of our product specifications with foreign ones, the foreign exchange demands on exports, etc.), the production and economic use of heating oils, energy, fuels, and other raw and processed materials in short supply, technological development, improving product quality, more efficient use of the manpower by making it profitable, in fixed assets and inventories, in the implementation of key investment projects in terms of deadlines, technical-economic parameters and cost consciousness.

c) The criteria for granting the incentive components of wages for collectives and specific individuals based on quality of work (its effect on the results) and responsibility are to be determined in such a way that the system of monetary incentives is interrelated and encourages the fulfillment of key plan objectives and secures a balance between the allocations to wages payable and the size of individual wages. To assure this balance, it is necessary to:

--Reduce significantly the incentive elements of wages (bonuses and special compensations) for all employee groups (supervisory, other technical-managerial employees and workers) in the event of underfulfillment of an established indicator, and to eliminate them completely at a certain level of underfulfillment;

--Link the annual bonuses of supervisory personnel to the results achieved cumulatively from the beginning of the five-year plan;

--Reduce the bonuses and special payments to supervisory personnel (including those of managers of enterprise subdivisions) for exceeding the obligated limits of wages payable;

--Increase the average planned level of sharing in the economic performance with the provision that a reduced formation of the planned wages payable will result in either reduced share pay outs or no payments at all.

d) The system for the use of the incentive component of wages as an integral part of intrasector and intraenterprise management and khozraschet is to be refined. The system of technical-economic standards and indicators which will make possible the individualization of monetary incentives and the linkage of wages, within the framework of khozraschet improvements, to the performances of particular intraenterprise departments is to be worked out.

e) Production workers and foreign trade personnel are to attain a substantive stake in the fulfillment of exceptional export objectives and in achieving import reductions through the use of goal-achievement bonuses from the fund of the Ministry of Foreign Trade.

f) In order to carry out the above incentive objectives, the entire system of wage schedules is to be centrally regulated in such a way as to support:

--Individual worker efficiency as measured by individualized indicators in a system of hourly wages, piece-work and composite and share-related wages, bonuses and efficiency incentives;

--The long-term development of personal proficiency through personal evaluations;

--A substantive stake for collectives in the overall efficiency and quality of work through sharing in economic performance;

--Strengthening of the binding nature of central management directives which determine the application of economic incentives for key personnel and the basic rules for using wage forms.

g) Adjustments in the system of wage rates are to be prepared with the objective of strengthening the incentives for increasing individual qualifications in accordance with the requirements of structural changes, technological development and the performance of more complex, and more responsible tasks under difficult working conditions, and to applying the following criteria, in particular:

--More clear-cut show of appreciation of the work of creative technical personnel, who consistently achieve outstanding work results, both in

terms of wage rate classification schedules and in the wider utilization of individual wages; also, take into account the possibility of further qualification and earnings increases for those workers who perform the most complex tasks requiring a completed secondary level professional education (maturita);

--Intensify the pressure to meet professional standards; especially [by requiring] college education, in the interest of raising the quality of management and professional work;

--Formulate and apply a method of providing for a more objective appraisal of the difficulty of working conditions, in order to be able to differentiate worker wage rates;

--Differentiation in the wage evaluation of work in multishift and continuous operations in order to stimulate a more efficient use of capital assets, should be increased;

--Awarding premiums, in cases of consolidation of professions, in completion of a standard amount of work (output) with fewer personnel, for instance, up to 30 to 50 percent of wages (given a demonstrated saving in the number of personnel) and the possibility of special lump-sum payments to workers for the introduction and consolidation of technically substantiated work norms, to be made from achieved savings in wages, are to be considered;

--Worker relocation according to the needs of economic development is to be more effectively encouraged and for this purpose concentrate the existing methods used to support stability and increase the intensity of their motivational effect.

3. In the Area of Wage Controls

a) The execution of the wage policy at every level of management is to be linked with the systematic evaluation of wage development and with control over the effectiveness and compliance with the wage regulations. Controls are to be exercised through the management chain so that it would take place at every level at least once every 3 years. It is to be considered obligatory:

--By the industrial production units and organizations, to follow the wage developments and evaluate compliance with the binding limitations on the wages payable, control the effectiveness of the wage system, to comply with wage regulations and maintain balance between the distribution and formation of the wages payable, take steps to correct discovered shortcomings and inspect for compliance, and to keep the higher authorities informed about the results of the controlling activities;

--By higher authorities, to fulfill the same obligations with respect to the VNJ and organizations, to regulate and coordinate the control activities, evaluate their results and inform the Ministry of Labor and Social Affairs about the enforcement and results of the control activities.

The Federal Ministry of Labor and Social Affairs is responsible for the regulation, coordination, systematic management, and specific objectives of control in the area of wage policy; it checks for effectiveness and correctness of the procedures in the implementation of the wage policy within the area of responsibility of the federal central agencies and the SBCS [Czechoslovak State Bank], including the administrations of these agencies; similar responsibilities are applicable to the ministries of labor and social affairs of the CSR and the SSR within the jurisdiction of the republics.

b) The pressure for compliance with the wage and other work related to legal provisions is to be increased and the central agencies of the federal administration granted full powers to penalize (fine) organizations and individuals who violate the directives. To implement these measures, appropriate legal provisions are to be proposed.

E. Increasing the Effect of Prices

The improvements in the price system, the setting of prices for new products, price constraints and price incentives are to be directed at achieving a greater production efficiency and higher product quality and, in conjunction with these objectives, promoting the *khozraschet* development.

To this end, the Federal Price Office, in cooperation with the State Planning Commission, the Federal Ministry of Finance, the Federal Ministry of Foreign Trade, the Federal Ministry for Investment and Technological Development, and other central agencies, are directed to carry out the following measures:

1. In the Area of Price System Streamlining

a) In the first half of the Seventh Five-Year Plan, the wholesale prices of fuel and energy resources, certain raw materials and sectors approved by the CSSR government* are to be increased by means of a one-time wholesale price adjustment in 1981-1982 combined with gradual annual increases in the wholesale prices of fuel and energy resources from 1980 to 1985; these adjustments are to insure minimal price increases by compensating for these price effects at the expense of profitability and by establishing a gradual 2 percent increase in the wholesale prices of fuel and energy resources within the established limits as a supplementary objective in the planned reduction of consumer costs.

* CSSR Government Decree No 71/1979

b) Additional price system rationalization in the Seventh Five-Year Plan is to be aimed at:

--A two-fold application of demanding technical-economic parameters from the foreign economic relations to the domestic system of wholesale prices with the attendant consequences on profits so that differences in profitability are attuned to the level of prices achieved in the foreign markets;

--Exertion of pressure to expand effective innovation activity, particularly by enabling the effects of price increases for fuels, energy, raw materials and other material inputs on the costs of the final product to be reflected in the prices according to the set conditions only in conjunction with an effective innovation in production (in setting prices for new products); wholesale prices for products with excessive profitability will be reduced but the wholesale prices of products which do not achieve the desired effectiveness [profitability] on foreign markets, as well as obsolete or low quality products, will not be increased;

--Price supports in the area of state goal-oriented programs and stimulation of effective production structure.

c) Partial and individual price changes are to be made in the course of routine operations according to their urgency and within the limits and powers granted by CSSR Government Decree No 142/1979.

2. In the Area of Wholesale Price Setting and Price Constraints

a) Price limits are to be more broadly used as economic instruments for affecting the efficiency of innovative processes in the pre-production stages; these policies are based on the measures approved by CSSR Government Resolutions Nos 214/1977 and 33/1979.

In setting price limits, their derivation from the ratio of prices in the mature foreign markets is to be insured.

b) In setting new product prices:

--The use of efficiency indicators resulting from the international division of labor to differentiate profitability rates of price incentives, and price comparison by sectors and product groups that significantly influence the effectiveness of foreign economic relations, is to be introduced;

--Generally at 2-year intervals, in justified cases, the rate tables used for setting of prices for new products, corresponding to substantiated developments in costs, profits and capital intensity and efficiency criteria, are to be updated, while maintaining appropriate price levels in individual organizations;

--In setting prices for new machinery and equipment, the maintenance of economically justified relations between the prices and the key technological (technical-economic) parameters with the objective of reducing the cost per specification is to be insured;

--The ministry and VHI programs for implementing the methods of pricing and expansion of specification and standardization forms for setting prices for the Seventh Five-Year Plan period are to be updated.

3. In the Area of Price Incentives and Evaluation of Technological Levels and Quality of Products

a) Regarding price incentives, the Federal Price Office will insure that:

--The maximum rates for price subsidies and penalties are maintained, and price subsidies and imposts for products being exported are set primarily to correspond to the price levels in foreign markets;

--Price subsidies and imposts in selected, specifically designated production sectors, producing primarily for export but where the system of product evaluation is not yet implemented widely enough, are applied on the basis of export prices without an evaluation; to this end, a new category of price incentives relating to the efficiency of exports is to be introduced;

--Price subsidies and imposts are to be expanded to products evaluated by the ministerial testing stations according to the state testing station standards;

--Price subsidies and imposts are to be applied in the form of price surcharges and discounts on the basic price.

b) Regarding the evaluation of levels of technological sophistication and quality, the Federal Ministry for Investment and Technological Development will insure that:

--The number of evaluated products is increased so that all new products announced for mandatory evaluation under CSSR Law No 30/1968 will be evaluated at the pre-production stages; for other products, the technological level of new products manufactured on the basis of state plans for technological development will be evaluated (the feasibility and usefulness of the extension of mandatory evaluations of technological levels of new products manufactured on the basis of ministerial and sectoral technological development plans are also to be verified); the scope of the evaluations is to be further expanded with the incorporation of ministerial testing stations into the product evaluation process according to the principles applicable to state testing [procedures];

--In the process of determining the classification of a given product by degree of quality and technical development, the economic criteria are emphasized (for instance, the comparative export price indicators, lowering of the standard costs per unit of a key parameter) and conditions for the two-prong application of price subsidies and penalties, and for the effects of incentive funds, are created;

--The stringency of evaluations and a consistent penalization of obsolete products is to be increased. In addition to useful life, individual decisions on obsolescence of products being manufactured are to be made by use of technical analysis for technical development tasks rejecting economically undesirable products, particularly those whose production is energy-intensive or those that have a low energy efficiency, and products of low export effectiveness.

c) During the development and evaluation of the national economic plan, the State Planning Commission and the Federal Ministry of Finance will insure the use of such procedures whereby price subsidies for technically advanced and high quality products will not be included in the value indicators (tasks) of the five-year plan but will be included in the draft annual plan and its fulfillment; the price subsidies are to be included in the value indicators of the five-year plan for fashionable novelties and de-luxe products to the extent they were used at the starting period.

4. In the Area of Construction Budgeting and Evaluation of Deliveries in Capital Investment

In setting prices for capital construction, the Federal Price Office in cooperation with the Federal Ministry for Investment and Technological Development and the appropriate central branch agencies, will insure that the following measures are taken:

--In wholesale price adjustments for construction materials and work effective 1 January 1982, the price relations are to be rationalized so as to encourage efficient construction;

--Aggregate pricing is to be further expanded, so that it becomes applicable for all prototype construction projects, for structures and production lines being built under a recurring design and, further, for all successively advertised prototype production complexes;

--Conditions enabling the suppliers to negotiate with the investors, with the participation of general developers, are to be established;

--Aggregate prices including trade-loss compensation surcharges based on the budgets for construction projects or production systems for the first [construction] phase are to be used, provided they were not evaluated on the basis of a supplier bid;

--A modification in the procedures for setting prices for nonstandard machinery and equipment so that they may be set at the earliest possible phase of design preparation and so that a constant rate of profit may be estimated in designated organizations, taking into consideration the applicable plan indicators;

--Definitive constraints on wholesale prices and limits on purchase prices established by contracting organizations are shown for:

--nonstandard machinery and equipment specified in preliminary designs, as long as their volume on individual production lines exceeds the established amount;

--imported machinery and equipment, the volume of which, in individual production systems exceeds the established amount.

3. In the Area of Price Controls

Price agencies and all those involved in price controls are enjoined:

a) To concentrate price control on the main areas of price policy--the operation and evaluation of the effectiveness of price policy measures; for this purpose, price control coordination is to be increased, particularly in implementing the controls at the intermediate management levels;

b) In the course of price controls conducted by the price agencies, measures are to be taken to increase their effectiveness not only with respect to compliance with current price regulations but also, in cooperation with the specialized control agencies (testing stations, surveys), the reasons for inadequate implementation of criteria and incentive functions in improving efficiency and product quality are to be evaluated; background data and recommendations are to be provided for the purpose of improving the price-setting procedures and personal penalties and right of recovery is to be invoked against responsible personnel;

c) Comprehensive price controls, in accordance with objectives established by CSSR Government Resolution No 23/1978, are to be insured; particularly at the stage of price-setting in the pre-production stages, in individual price-setting, and for compliance with price constraints and price relations; for this purpose, jurisdictions and accountability are to be defined not only for price staff units in developing background material for price-setting, but for all professional staffs participating in developing the background data for the price-setting process.

11. IMPROVING MANAGEMENT ORGANIZATION AND METHODS

A. Management Organization and the Division of Labor between Individual Management Levels

The necessity of fully applying technological progress and of improving efficiency and quality, the increasing scope and complexity of economic developments, the ongoing processes of specialization in and centralization of production, and the pressing need to concentrate efforts on critical innovations--all this requires a redistribution of jurisdiction and accountability in social production management, the creation of an improved organization for the management of industrial complexes and their constituent units, the mastery of the processes of organizational integration and intersectoral management, and the application of management methods to national economic programs.

It is, therefore, essential:

That in the future, branch ministries focus greater attention on the formulation of proposals concerning the prospects and objectives of long-term development, directions in the international division of labor and socialist economic integration, structural changes and innovative processes in the relevant ministries. The management functions [of the branch ministries] in the area of technological development, foreign economic relations, fixed asset replacement, overall industrial efficiency and the responsibility for meeting national economic needs with production from within their own area of responsibility, is to be emphasized. They must recognize and work out the specific peculiarities of the individual sectors and differentiate their management and organizational structures. Simultaneously, it is necessary to assure that the ministries use their authority to enforce efficient, high-quality fulfillment of established tasks.

Economic production units are to be developed as the basic management link* in the enterprise sphere which, as a unit of comprehensive management, is a legal entity; it is a vehicle for carrying out plan and budget objectives and subject of interaction with the state budget. They must resolve and implement technical tasks and production and economic development concepts of their constituent subdivisions.

Their basic purpose in consonance with the plan is to satisfy the needs of national economy in the areas of their competence, to accelerate technological progress, to insure continued improvements in efficiency and, by merging the interests of the individual with those of the society, secure a planned social development of the entire collective, motivate the enterprises and all V&J employees, to achieve the mutual

* These problems will of course be dealt with for V&J supervised by agencies of the republics that have enterprises located in both republics.

and societywide objectives, and to insure the effective application of the khozraschet principles at all levels so that their results contribute to the increased efficiency of the entire VHJ.

That plants and enterprises be differentially equipped with the requisite authority and responsibilities in situations which are directly related, above all, to the fulfillment of their production technology, social, and khozraschet functions. An intraenterprise management system needs to be developed, especially in the area of operational planning, to secure the creative transference of plant objectives down to the individual workplaces and to intensify the khozraschet effectiveness as tools for increasing production efficiency and quality and to motivate employee initiative.

The current legal and organizational forms of the sectoral enterprise and concern are suitable for implementing these objectives; it is useful to apply them wherever the necessary conditions for them have been created. The existing trust of enterprises structure does not fully correspond to the status of basic management link in the enterprise management sphere.

* * *

For the purpose of a comprehensive transition of VHJ to the status of a basic management link, the competent agencies are enjoined to take a number of measures, among them:

1. Insure that the VHJ of the trust type become, as a unit, state industrial organizations with a full legal status prior to 1 January 1981, with the provision that the status of individual trust enterprises as legal entities will not change during this phase.
2. Facilitate the gradual creation of conditions for an effective degree of integration of management activities in trust type VHJ. The competent central agencies will differentiate according to the conditions of specific economic production units when granting exceptions from the above-mentioned Set of Measures during the period until 31 December 1982.
3. The management systems and internal relations within the VHJ will be designed according to the conditions at the individual VHJ, by a statute approved by the appropriate minister; the appropriate regional central agencies will modify, by means of binding provisions, the basic conditions and relations in the areas of planning, financial management, etc. between the general directorate and the [individual] enterprises which must be reflected in the statutes of the VHJ.
4. Branch ministries will develop and, together with the summary background data for the Seventh Five-Year Plan, submit to the State Planning

Commission a concept for the organization of its production technology and research bases for the Seventh Five-Year Plan period. The concept will incorporate the objectives aimed at speeding up the process of concentration and specialization of research, development and production. The principles of production-technological and territorial organization are to be implemented differentially according to specific conditions.

5. Prior to 30 June 1981, the branch ministries, economic production units, and enterprises will prepare, in their respective areas, comprehensive programs of management development which they will implement in order to ensure achievement of the objectives of the Seventh Five-Year Plan and a continued development of branches, VNI, and enterprises based on the requirements of this Set of Measures -- particularly those concerning the VNI status as the basic link in management -- and they will primarily provide for:

- Restructuring of the industrial and research base organization;
- Division of management functions among individual management levels and systems;
- Utilization of computer technology and introduction of computerized management systems; and
- Uniform functioning of socio-political and economic incentives.

With the objective that, to the maximum extent possible, individual management levels become capable of handling their tasks independently and under streamlined conditions, with an effective reduction in the number of plants managed, and in a most efficient manner.

6. The State Planning Commission and the CSSR State Arbiter, in coordination with the appropriate central agencies, will propose:

- A partial modification of CSSR Government Directive No. 91/1974 in the sense of paragraph 1. above;
- Overall revision of the legal and organizational form of the industrial and research base so as to become effective on 1 January 1983.

8. Increasing Accountability and Improving Work Methods of Management Personnel

Management effectiveness, and thus the effectiveness of the proposed measures in the management system, will be dependent to a decisive degree on subjective factors, especially at the level of supervisory

personnel. If the demands made on the functioning of the economic mechanism increase, then demands on the standard and quality of work of every worker and supervisor also logically increase, in particular, because their activity has a decisive influence on the results of the work of the collective as a whole. Professional qualifications, understood as a complex of political, professional and moral qualities, play an ever increasing role in improving the style and methodology of management, in intensifying conceptualization in managerial activity, and in upgrading the quality of decisionmaking. Supervisory personnel, as representatives of socialist society in the area of their activity, must serve as examples of initiative, discipline and adherence to principle; they must bear full responsibility for meeting the objectives of the subdivisions they manage and for enforcing society's interests; they may not avoid conflict situations in decisionmaking, they must be critical of shortcomings and at the same time accept and deal with critical comments. All problems related to the interests of the workers they must discuss with the appropriate trade union representatives.

In order to increase responsibility and improve the work of managerial personnel, the competent directing agencies, in cooperation with party and trade union bodies, are to insure:

1. That a closer link between methods of economic management and professional personnel management is forged so that, on the one hand, measures originating with the management system create the necessary conditions for the effective work of supervisory personnel and, on the other hand, that professional, personnel and social work is based on the needs for improving management effectiveness.
2. That a significant increase in responsibility and authority of managerial personnel result from the full functioning of the principle of a single accountable manager. To this end, a rationally structured division of labor between the line and the staff components of the management system is to be established.
3. That a strict delineation of jurisdictions and responsibilities at all management levels and down to the individual workplace be made. As one aspect of this, regulations and job descriptions are to be developed to show the ultimate responsibility and jurisdiction of supervisors.
4. That all available monetary and professional consequences be consistently invoked at all levels of management to enforce and control the fulfillment of obligations arising from the personal responsibilities of the supervisory personnel for the results of organization and subdivision activities which they direct.
5. A coordinated operation of moral, political and economic incentive factors on the decisionmaking and actions of the managers with respect to asserting the needs and interests of the entire society.

6. That goal-oriented programs management be actually implemented in the work of managers and work collectives.

7. That a systematic analysis of the standards of management methods and effectiveness and a [possible] reduction in administrative work be made so that professionals are used more efficiently to perform the management function.

8. That planning professional, personal, and social services will be introduced in accordance with the following principles:

a) The basic method of managing the development of professional, personal, and social services is in the form of "Programs," "Five-Year Plans" and "Implementation Plans."

--Programs for professional, personal and social development are to insure comprehensively that objectives and tasks established by the policy of the Communist Party of Czechoslovakia in a given area are carried out. These programs will serve the function of about 10 to 15-year forecasts.

--The five-year plans for the preparation of professional, personal and social development contain specific tasks and measures which, for the given period, are responsive to objectives established by the programs and provide means for their implementation.

--The annual implementation plans for the preparation of professional, personal and social development insure the realization of specific tasks resulting from the five-year plan.

b) Programs and plans insure the following objectives in particular:

--Raising the political-professional standards, capability and ability of supervisory personnel and the preparation of professional reserves;

--Insuring a coordinated procedure for implementing the personnel recruitment plan and the management of the adaptation process;

--Creating the prerequisites for the selection, assignment and stabilization of personnel and for evaluation according to the results of their work;

--Application of comradely relations at work locations;

--Indoctrination and education of employees;

--The development of the personal qualifications of employees, reinforcement of social responsibility, legal awareness and socialist determinism, reinforcement of socialist labor discipline, development of social involvement and strengthening the socialist way of life;

--The improvement of the working environment, and a reduction of the physical and psychological stress on the employees;

--Improvements in living conditions and housing, boarding and employee recreation and in facilities for their cultural, sport, athletic and special interest activities.

C. General Directions in Establishing Computerized Management Systems

The use of computer technology and econometrics is becoming one of the tools for streamlining the development of the system of planned management and increasing the efficiency of the national economy. The basic objective of applying these tools and the introduction of computerized management systems is to insure a substantial increase in the efficiency and a reduction of the administrative load on management, which must become the basic criterion for the use of computers in management.

To increase the effectiveness with which computers are used in management of the national economy, the appropriate agencies and organizations will insure that orientation is provided for taking advantage of computer technology in the following areas:

1. Instituting computerized system of planning budgets in accordance with the measures for improving the effectiveness of national economic planning;
2. The comprehensive use of computers in management of supplier-consumer relations throughout the entire national economy with the objective of improving the equilibrium and making possible the control of commercial agreements and a smooth flow of supplies. This area is to be clarified and implemented by the gestor supplier VHJ [acting as coordinating managers] under a systematic direction of the appropriate central agencies;
3. The establishment of computerized information systems which will make it possible to follow and evaluate the effectiveness of the replacement process as a whole.

In other areas, the installation of computerized systems of management is to be based on the tasks established by the measures in [the area of] the organization of management and the division of labor among the individual levels of management. At the same time, provisions are to be made for:

4. The computerized systems of enterprise management and computerized systems of technological processes to be carefully coordinated.
5. The building up of a unified data base and the development and use of standard solutions for intersectoral activities enabling the

integration of the individual levels of computerized systems of management.

6. The major prerequisites for the use of computers in the said areas are to be:

- a) The reinforcement of the coordinating functions of the computerized management systems of the highest level organizations of a regional character and their tasks in installation of computerized management systems for the branch agencies;
- b) An increase in the systematic, centrally influenced process of the installation of computerized management systems;
- c) An orientation of research on computerized management systems toward clarifying the status of computerization in improving the system of planned management and toward developing long-term forecasts for installation of computerized management systems.

D. Improving the Information Systems

For the purpose of securing the tasks deriving from the Set of Measures for Improving the Planned Management System and to improve the information system, the Federal Statistical Office, in cooperation with the competent agencies and organizations, is enjoined to:

1. Intensify the analytical activity aimed at a more thorough clarification of the causes of social-economic phenomena; for this purpose, the data inputs in all information systems are to be improved to enable a systematic analysis of the individual factors affecting increases in efficiency and effectiveness of the replacement process as a whole; systematic comparison with international developments is also to be insured.
2. Insure [the availability of] information in the form of statements only to the extent required for compilation and control of the state plan, keeping the development of the economy and the society under review, and for the [functioning of economic tools]; the system of social-economic information should also be adapted to reflect changes deriving from the main directions of improving the management system in individual sectors; the controls on plan fulfillment are also to be improved in this respect to provide for evaluation on the basis of multiple factors. Other information required for understanding social and economic developments is to be provided by other forms of statistical monitoring, particularly selective surveys which would bring about a reduction of administrative requirements throughout the national economy.
3. The system of social-economic information is to be screened and updated with information necessary for solving pressing new problems in

the area of social-economic development; at the same time, redundant information should be eliminated, primarily through selectivity, and should be sorted so that it is received only by the management levels having an actual need for the information; accordingly, the current extent of statements and reporting is to be modified at all levels and a streamlined system for reporting in the Seventh Five-Year Plan developed; the information system of the VHL, as the basic management link is to be insured.

4. The ministerial information systems projects developed in 1975 in compliance with CSSR Government Resolution No 20/1973 and supplemental CSR and SSR government resolutions are to be up-dated; streamlining measures insuring a reduction in administrative load are to be implemented and tied to the introduction of a computerized management system.

5. Analytical and publication activities are to be analyzed in terms of the needs of the individual levels of management, particularly when evaluating the effects of management tools and primarily in the key areas of technological development, foreign trade, capital investment, and the efficiency, quality and economy of production.

6. In statistics, in addition to operational controls for annual plan fulfillment, introduce a cumulative evaluation of the five-year plan.

7. A plan for creating a territorial net of computer centers for the state administration in accordance with the principles and requirements for the installation of computerized management systems is to be developed and implemented.

8. The procedures to be followed in decisionmaking involving the regional information systems, establishment of data bases and standardized special purpose data banks are to be coordinated; for this purpose, the subject contents of the indicators in planning, statistics and accounting are to be systematically consolidated; the unit sets are to be uniformly defined and existing unjustified exceptions eliminated; the uniform statewide codes and classifications are to be strictly followed.

9. In the area of data collection, transfer, processing and distribution standardized, regulated and unified data banks and data flows are to be introduced and standardized program elements used; a progressive change to a selective data distribution according to the user needs is to be made.

10. In the system of scientific, technical and economic information the consistent introduction of factual and documented information and its practical use in managing all aspects of the replacement process, in particular that of the technological development, at all levels of management is to be insured.

D. Improving the Control System in the National Economy

In order to improve the effectiveness of control at all management levels, the competent agencies and organizations will insure that during the study of the decision and its implementation, the controls provide the management and supervisory personnel with objective information concerning the fulfillment of tasks, reasons for any departures from them and the use and effectiveness of established direct and indirect management tools, in order to effect the application of lasting remedies to any shortcomings and to enforce following the principles of efficiency in the process of formation and use of resources increasing the quality of all work and responsibility, discipline and order.

To achieve this goal:

1. In the area of controls, carried out by the management and the supervisory personnel within the organization, and in relation to subordinate organizations [the following measures are to be carried out]:

--Both personal controls and those exercised by subordinate units are to be directed at the key problems of efficiency, quality, conservation of resources and at uncovering and utilizing in-house resources and reserves;

--The realization of accepted tasks is to be assured through the effective exercise of controls according to the delimitation of rights and responsibilities, and consistent implementation of the division of labor and enforcement of the resulting responsibilities;

--It is to be insured that the findings and results of the control inspections, especially concerning causes and infractions, are used to correct problems in carrying out the established tasks, to make rigorous evaluations and improvements in the quality of work of the subordinates, managed units, and organizations, and to draw strict consequences for not meeting the specified requirements, including the timely assertion of demands for damage compensation and the use of property sanctions and other financial penalties;

--Make it a duty of all management personnel to cooperate actively with the control agencies in ascertaining the reasons for shortcomings and the persons responsible. Make the supervisors personally accountable for any shortcomings determined by the control agencies.

2. For the rational functioning of the improved system of management of our national economy, it is desirable that specialized departments, particularly in the area of the use of planned management tools, financial and khozraschet relations, wage and price policy, technological development, innovation and quality production as well as fixed asset

replacement, act effectively on the basis of information feedback on the use of management tools; for this purpose, their control activity is to concentrate on:

--The systematic and meticulous comparison of achieved results with the established objectives, tasks and manner of their fulfillment along the entire management chain, elimination of undesirable deficiencies and correcting problems;

--The thorough investigation and analysis of the reasons for differences between the prospering and lagging enterprises and sectors with the objective of using the favorable results and experiences to improve management and increase labor efficiency in the lagging enterprises;

--In the central agencies, on tasks of a conceptual nature and on the functioning of management tools in their implementation according to specific conditions of the branches and sectors;

--Improvement of periodic management reviews; in this sense, the CSSR People's Control Committee and the Federal Ministry of Finance, in cooperation with competent agencies, will develop effective plans.

3. Improve the control system within each organization so that it functions objectively and efficiently and so that the activity of individual controllers is uniformly administered so that their conclusions may be applied by the organization manager to reinforce the integrity of the decisionmaking, executory and control phases of the management process and for a consistent and effective enforcement of order, responsibility, and discipline. For this purpose, the status and activity of the control units is to be modified and directed at:

--Checking the implementation of important decisions and directives of the organization manager and at meeting the main objectives which are of a critical importance in the branch or sector, for the development of the national economy;

--Organizing controls, carried out by the specialized units in the organization and subordinate organizations, and aimed at basic problems of enforcing conservation and efficiency, taking advantage of technological developments, increasing product quality, improvement and utilization of all types of standards and constraints, and other tools and incentives serving to strengthen khozraschet relations;

--Making the necessary coordination in the preparation and realization of the plans of the control activity of all subdivisions within the organization and subordinate organizations and external control agencies and organizing the preparation of comprehensive assessments of the reasons for differences between the well-functioning and lagging VNI or enterprises;

--Providing the organization managers with recommendations on measures needed to eliminate any disclosed deficiencies and to foster assumption of responsibility by the appropriate organization or subordinate organization personnel;

--Increasing the effectiveness of all controls in the organization and subordinate organizations and applying demanding criteria in their work. Evaluation of information concerning the internal control system and external controls and submission of necessary recommendations to solve specific problems and improve the control activities.

4. To underline the significance of the effects of controls by external agencies, objectives for this purpose will have to be established in the following areas:

--Intersectoral central agencies will examine, systematically and in coordination with each other, the key and the critical areas of the management system as well as the systems of direct and indirect [management] tools and objectively evaluate their practical application, especially in the areas of planning, finance, technological development, prices, wages, interest rates and credits, and their effectiveness in fulfilling the development objectives of the national economy; they will insure that shortcomings are corrected, that they act on the mobilization of internal resources and potential and, as an objective government agency, present the government with a program of measures to be taken;

--Specialized control agencies will check up on and objectively evaluate the quality of products and services, the efficient consumption of energy and raw materials, the quality of living and working environments, and the effective implementation of these tasks, etc., and will apply high technical and, depending on the conditions set for the job, economic criteria facilitating a comparison with advanced Czechoslovak standards but, above all, with those set by the world markets;

--To achieve greater effectiveness in their controls, these agencies will generalize their findings and communicate them to their own supervisory agencies and agencies managing the inspected organizations and act to insure that corrective action is taken in respect to the discovered shortcomings.

5. The CSSR People's Control Committee, as a central agency of the state administration in the area of controls and an objective government audit agency, will insure that the system of people's controls and the entire audit system have a positive effect on the timely and efficient accomplishment of established objectives, on the solution of problems which arise and on the behavior of agencies and organizations under their control from the view of using the tools of effective management system, to maintain order and discipline and safeguard the interests of society.

The specific work of the people's control committees is to focus on the key questions of the development of national economy, selected tasks of the state plan, at a more efficient valorization of raw materials, fuels, and energy, full use of long-term assets, growth in labor productivity, a more efficient assignment and utilization of the labor force, acceleration of technological progress, providing domestic and foreign markets with the needed goods of required quality and assortment, and at the economical and high-quality accomplishment of tasks in the tertiary sphere [services].

In upholding the interests of the society and tightening management, order, and discipline, the people's control agencies:

- Will proceed systematically and uniformly, particularly in enforcing permanent corrections and will make use of and increase the participation of the workers in the controls;

- Will orient the activity of the other control agencies and units at the basic questions of the development of the national economy and of the whole society and at enforcing efficiency and the fulfillment of key tasks in the individual branches and sectors;

- Will insure, within the area of their competence, the mandatory coordination of specialized control activity with the other control agencies and units, integrate their procedures in controlling the fulfillment of significant objectives established by the government and other relevant measures and jointly organize the control activities.

The main directions of the control activity and the basic control tasks of national economic significance for the people's control agencies as well as for the ministries and other control agencies will be established by the government on a recommendation of the competent people's control committees.

The people's control committees are enforcing highly demanding criteria in the work of all elements of the control system so that the main and fundamental causes of shortcomings and the persons responsible are determined during the controls and that lasting corrections of undesirable conditions are made, and the results of the control findings are used to improve management. The people's control committees further review the individual elements of the control system, apply the controls in accordance with the interests of the society and the needs of the improved system of planned management of the national economy, evaluate the effectiveness and efficiency of their work and make other necessary arrangements to eliminate weaknesses and shortcomings in the control system.

1. Further Intensification and Improvement of the Quality of Worker Participation in Production Management

An inseparable component in improving the system of planned management must be the continued intensification and increase in the quality of worker participation in the enterprise and V&HJ management, in improving the organization of work, reinforcing the incentive system, and in utilizing resources earmarked for the economic, social and cultural development of the collective. This presumes a systematic improvement in the principles of democratic participation of workers in management. In this way, the share of the workers in the implementation of CPCZ economic policy will be increased.

Under the leadership of the Czechoslovak Communist Party, together with the Revolutionary Trade Union Movement and in cooperation with the Union of Socialist Youth and other social organizations, will take advantage of all possibilities and approaches which motivate worker initiative and intensify their participation in management.

There must be a systematic increase in the responsibility of industrial leadership to utilize worker suggestions and recommendations. Above all, the quality of production consultations must be improved and additional approaches for worker participation in management developed. The authors of justified complaints and suggestions must be protected from being discriminated against by those being criticized and those who favor obsolete labor procedures and methods.

Worker initiative must be developed, organized and directed toward the qualitative plan indicators, increase in product quality and exportability, conservation, and a higher valorization of raw materials, energy and materials in process.

The role of collective contracts and specific agreements between the industrial leadership and worker collectives, aimed at maximum resource formation and its distribution according to socialist principles is to be increased in order to improve working and environmental conditions for an all-round development of individuals.

Worker participation in management is to be developed primarily along the following lines:

1. Worker Participation in Plan Preparation

A fundamental reorientation in organizing worker participation in the preparation of five-year and annual implementation plans is to be achieved. Workers are to be persuaded to take an active role in counter-planning during the formulation of the annual plan proposals based on objectives, constraints, and economic conditions with the goal of raising the five-year plan targets for a given year through the use

of intensive production growth factors and meeting the growing requirements of the society.

Over the entire period of preparations of the plan proposal it is especially important:

- To use more efficiently the period prescribed for the formulation of plan proposals, to acquaint work collectives and individuals with the objectives of enterprises, plants and plant shops, to assure the widest possible worker participation in discussions of the annual plan proposals. Specifically to instruct competing collectives, socialist work brigades, expeditor teams, inventors and innovators and outstanding workers (holders of national and branch awards) who distinguished themselves by uncovering potential internal reserves and in the search for methods to insure more ambitious objectives;

- To negotiate with the competent union representative the plan proposal and his views on it which form an inseparable component of the plan proposal submitted to a higher management level. The competent management body is, in turn, required to inform the union representative of the extent of implementation of his views;

- Simultaneously with the preparation of a plan proposal, a proposal for the new collective contract is also to be prepared. The results of public semi-annual control surveys of plan fulfillment, collective contracts, and socialist pledges in particular are to be used;

- Along with the plan proposal, prepare and negotiate with the union representative the main directions of worker initiative development for a given period, including the assignments of socialist work brigades, comprehensive rationalization brigades, the inventor and innovator movements, and provide for their breakdown in terms of the specific conditions of the plant shops, collectives and work sites. The conditions for their implementation are to be systematically developed.

2. Worker Participation in the Implementation and Control of Economic Plan Fulfillment

All forms of worker participation in production management and work and inventive initiatives must be consistently taken advantage of in the implementation of economic plans, specifically:

- In close cooperation with the Revolutionary Trade Union Movement, the organization of production consultations in terms of their preparation, processing and implementation of worker suggestions and comments is to be improved. The program of production consultations should be systematically oriented toward critical production tasks. The production consultations are to be well planned and organized according to their purpose;

Individual experience in worker participation in solving the key tasks and problems related to the plant and enterprise are to be developed. In particular, they are to be organized with the participation of professional personnel unions:

--Informal socialist competitions in high efficiency and quality of all work are to be organized.

Competition between individuals, factories and enterprises must be developed on the basis of comparable indicators. For this purpose, specific conditions for the competition, the controls, evaluation and winner appraisal must be established:

--Requirements for the socialist pledges of individuals, collectives, plants and enterprises are to be raised so that they reflect the share these groups have in meeting the plan objectives, in implementing counter-plans and tasks undertaken in addition to the plan. Enterprise-wide (or plantwide) pledges must be based on individual and collective pledges:

--Higher standards are to be set and greater responsibility for meeting the objectives of the national economic plan are to be established when making joint socialist pledges in the area of capital investment, linkage of science with production, satisfying the requirements of the foreign and domestic markets, and in insuring a high quality of finished products:

--International socialist competition for the support of the comprehensive program of the CEMA member countries, for the fulfillment of objectives for socialist countries which derive from the mutual division of labor and cooperation, competition between enterprises and institutions which produce the same or closely related products, carry out cooperative construction projects, and cooperate in investment, design, research and other projects, is to be developed in enterprises, plants and organizations:

--The all-round development and an increase in the quality of the socialist work brigade movement, comprehensive rationalization brigades, innovator and inventor activities, and individual and collective suggestion programs by technical engineering, scientific and management personnel, is to be carried out;

--Advanced experience and work methods and their exploitation in daily operation are to be purposefully studied, publicized and implemented.

Broad worker participation in controlling plan fulfillment and their active cooperation in the elimination of existing shortcomings must be insured. In addition to the experience of the workers, economic analyses, statistical data and information furnished by the Czechoslovak State Bank must be used in these individual controls. In this way,

conditions are to be created for increased worker influence over the objective evaluation of achieved results. To this end:

--Direct worker participation in systematic controls of the fulfillment of the plan and collective contracts, the evaluation and the appraisal of achieved results is to be consistently encouraged as an inseparable component of management activity;

--As provided for in the law on ROK (Revolutionary Trade Union Movement), workers involvement in the process of applying the forms of social controls are to be discussed with the appropriate union representatives in addition to the forms of mutual cooperation. Controls must be oriented primarily toward uncovering potential resources for increases in labor productivity and the efficiency and quality of production. The rights of the unions contained in the resolution of the Fourth All-Union Congress and other legal provisions are to be consistently recognized, persistent attention devoted to the controls of the plan for professional preparation and personal and social development;

--Public controls of adherence to socialist legality, labor and technological discipline and of the utilization of important machinery and equipment must be carried out. Increased attention must be devoted to questions relating to the work environment, safety and health maintenance on the job;

--Statistical procedures related to the development and results of work initiatives must be improved.

3. Worker Participation in the Evaluation of Achieved Results

There must be a consistent application of socialist principles of compensation and the creation of conditions for a permanent increase in effectiveness of financial and moral work incentives and for strengthening their dependence on the achieved work results of collectives and individual workers. In relation to this:

--Approaches to mutual cooperation as well as specific forms of broad worker participation in the preparation and implementation of all basic wage-related political measures must be worked out with the appropriate union representatives. Increased attention must be devoted primarily to their participation in the elaboration of more precise work standards and criteria as the essential conditions for a justified wage differentiation;

--The effectiveness of financial and moral incentives must be publicly evaluated. The consequences of fulfilling or failing to fulfill planned objectives in terms of volume, quality and product mix under the personal and collective incentive system must be explained to the workers;

--The incorporation of the effects of incentives and penalties, especially for work quality, into a specific incentive system must be insured, thus producing a direct dependence of financial incentives to pertinent work collectives and individuals;

--The role of the moral appraisal of the work performance of individuals and work collectives must be significantly increased. In this regard, the value of work appraisals of worker collectives in terms of Red Banners must be increased;

--There must also be a gradual introduction of evaluations for management personnel according to the results in their development and in the contributions made by the creative initiative of the workers.

The CSSR Government, in cooperation with the Central Council of the Trade Unions, in the spirit of the principles for improving the system of planned management of the national economy after 1980, will evaluate the background data received earlier and will adjust them according to the changed conditions.

At the same time, it will discuss the recommendations on new measures for intensifying worker participation in management and for further developing the worker initiative.

G. Adjustments to and Improvements in the Economic Provisions of Law

As a part of improving the planned management system of the national economy, an immediate comparison of measures established in the earlier parts of this document with the currently applicable regulations will be made and the necessary changes in legal provisions gradually introduced so that the law will not only be responsive to national economic changes deriving from these measures, but also act forcefully to effect their implementation and thus foster continued positive development of our society.

The responsible agencies are enjoined particularly:

1. To prepare on time recommendations for the updating of the commercial code and the law on national economic planning to become effective no later than 1 January 1983 in order to improve the efficiency of planning, accounting, the contract system and the system of contract penalties and legal adjustments of commercial agreements, particularly in the area of import and export, research and development and the resolution of some questions falling into the area of the organization and management of the industrial technological base.

2. For implementing the new elements of the system in the area of planning, accounting, and negotiation of supplier-consumer relations in the planning process and the contracting system, a new directive on

accounting and the negotiation of contractor-consumer relations in the planning process which would supersede the current State Planning Commission and State Arbiter Decree No 33/1975 of the Collection of Laws is to be published.

3. Systematically and purposefully, we must simplify legal procedures and reduce the number of legal provisions, provide a clear view, coordination, comprehensibility, and relative stability. Legal provisions are to assign specific duties, and delimit more consistently the jurisdiction and responsibility of the individual levels of management, agencies, and organizations for honest and timely fulfillment of planned tasks.

4. By no later than the end of 1981, insure the publication of a ministerial or a branch collection of the generally binding legal provisions applicable within their scope of activity as well as to the needs of professionals in the agencies of the federal administration and economic management. These journals are to be updated annually.

5. Effective with the beginning of 1982, provide for systematic analyses of the currency and effectiveness of the legal provisions published within its area of activity with the objective of eliminating obsolete and out-of-date legal provisions and to improve the system of legal procedures in economic relations.

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October 29, 1980

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